

CITY OF LEON VALLEY, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

OCTOBER 1, 2010 - SEPTEMBER 30, 2011

**CITY OF LEON VALLEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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INTRODUCTORY SECTION



SMALL TOWN HOSPITALITY. BIG CITY ADVANTAGES.

November 2, 2011

The Honorable Mayor, Members of City Council
and Citizens of the City of Leon Valley:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Leon Valley financial statements have been audited by Holtman Wagner and Company LLP, a firm of licensed certified public accountants. They have issued an unqualified "clean" opinion on the City of Leon Valley's financial statements for the year ended September 30, 2011. The independent report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated in 1952, is a residential community located in south central Texas in the northwest portion of the San Antonio Metropolitan Statistical Area. The City is located in Bexar County, Texas. Bexar County's economy is based on military, tourism, agriculture, limestone mining, medical facilities, and manufacturing. The City has a land area of 3.5 square miles and is surrounded on all sides by the City of San Antonio. Most City residents are employed within the greater San Antonio Metropolitan Statistical Area. A full range of services is provided to residents and businesses, including police and fire protection, construction and maintenance of streets and infrastructure, recreational activities, and water and sewer utilities. The City population based upon the 2010 census is 10,151. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City's property tax rate is average compared to the rest of Bexar County.

The City is operated under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a five-member council. The Council is elected on a non-partisan basis at large. Council members are elected to two-year staggered terms. The Mayor is elected at large to a two-year term. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and the hiring of a City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing

Council, overseeing the day-to-day operations of the City, and appointing the heads of the City's departments.

The City maintains extensive budgetary controls. The objective of these controls is to ensure the proper safeguarding of City assets, compliance with State budgetary statutes and compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the General Fund, Debt Service Fund, Water and Sewer (Enterprise) Fund, Community Center Fund, Building Security Fund, Child Safety Fund, Municipal Court Technology Fund, Street Maintenance Tax Fund, Police Forfeiture Fund, and Grant Fund are included in the City's annual budget. Capital Projects Fund activities are expected to extend beyond one or more fiscal years, and are therefore budgeted on a project-by-project basis. Federal, State, and local grants are budgeted for at the time of grant acceptance.

The annual budget serves as the foundation for the City of Leon Valley's financial planning and control. Generally the City has a policy of funding current year operating expenditures with current operating revenues. Capital purchases are funded from the fund balance that is unreserved and designated for capital projects. All agencies of the City of Leon Valley are required to submit requests for appropriation to the City Manager on or before the first week in May each year. The City Manager then presents this proposed budget to the Council for review in July. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of Leon Valley's fiscal year.

The City has adopted financial policies for budgetary control that is stricter than is required by law. The appropriated budget is prepared by fund, department (e.g. police), and function (e.g. patrol). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 45-47 as required supplemental information for the governmental funds.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Leon Valley operates.

The City of Leon Valley has experienced an economic upturn as far as sales tax over the past few fiscal years. The regions leading industries, in terms of gross sales for the City, are auto dealers/gasoline service stations and food stores, a significant portion of sales for these businesses is not subject to local sales taxes.

Long-Term Financial Planning

In FY 2011 the City implemented GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions and formally adopted a Fund Balance Policy. The Fund Balance Policy adopted by the City will be the framework upon which consistent operations may be built and sustained. For man made or natural disaster emergencies the City will strive to have a Committed Fund Balance that is equal to three months operating expenses based on the current operating budget. For the fiscal year that ended September 30, 2011, the Committed Fund Balance was \$800,000. Each January the policy will be

reviewed and the Committed Fund Balance will be adjusted up or down based on the annual operating budget, available funds and necessity.

The City also maintains a five-year Capital Acquisition Plan (CAP) to provide for capital outlay expenditures. Each fiscal year, the CAP is reviewed and analyzed by the City Manager and City staff to determine needs for office and other machinery and equipment, vehicles, buildings and building improvements, land, and other improvements. The five-year CAP is authorized by City Council during the City's annual budget adoption process. As items are funded only when deemed necessary, capital outlay details and amounts vary between budget years. The plan is funded from the Unassigned Fund Balance.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leon Valley for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

We would like to extend our sincere thanks and appreciation to the finance department, and all City staff and department heads who helped in the preparation of this report. A special thanks goes to our Mayor and City Council for their strong leadership and support, their sense of civic duty and responsibility, and their diligence in conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Manuel Longoria, Jr
City Manager



Vickie Wallace
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leon Valley
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Enen

Executive Director

**CITY OF LEON VALLEY, TEXAS
LIST OF PRINCIPAL OFFICERS
SEPTEMBER 30, 2011**

ELECTED OFFICIALS

Chris Riley, Mayor

Councilmember Place 1
Councilmember Place 2
Councilmember Place 3
Councilmember Place 4
Councilmember Place 5

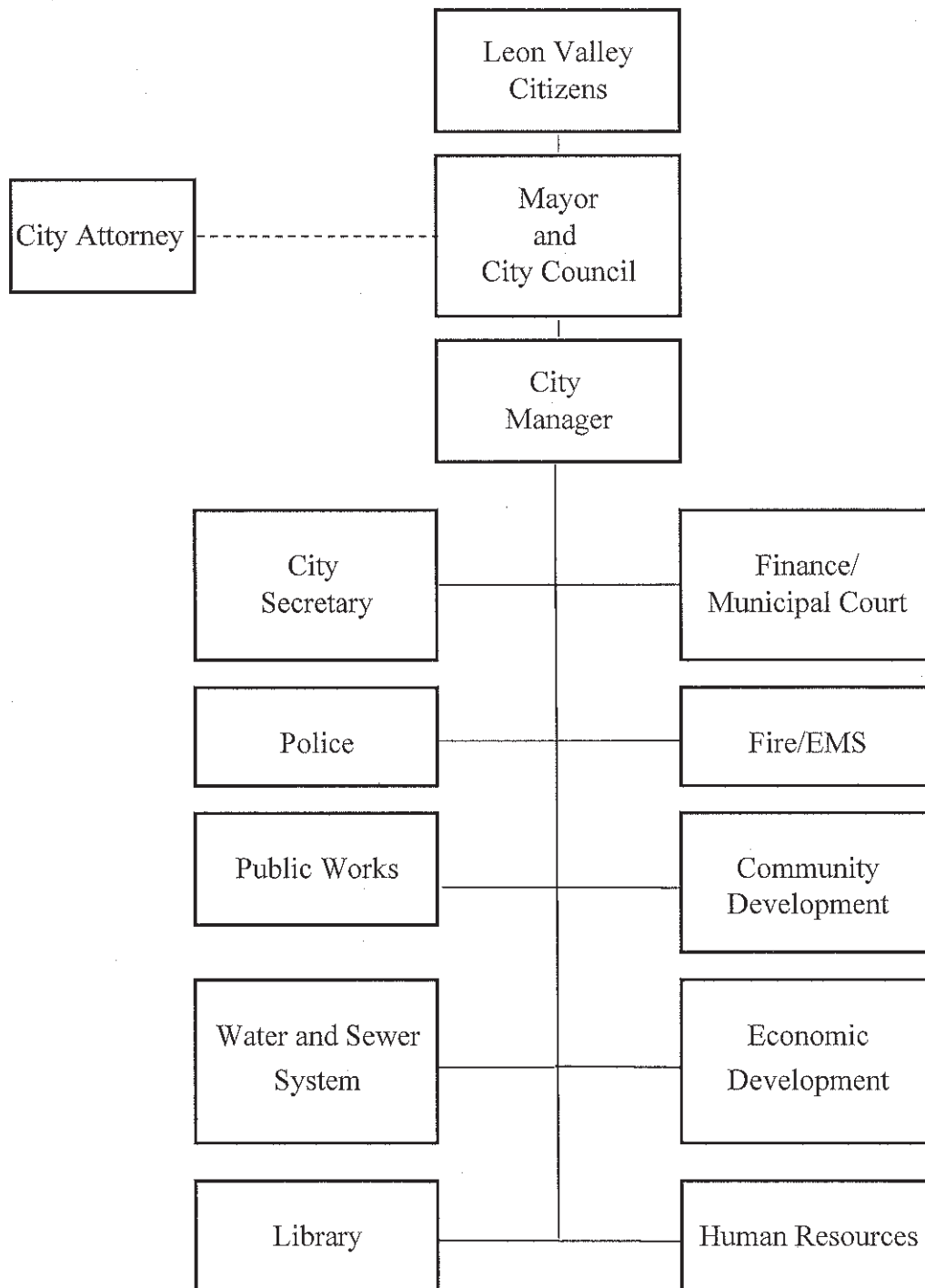
Kathy Hill
Arthur "Art" Reyna, Jr.
Irene Baldrige
Jack Dean
Paul Biever

CITY OFFICIALS

City Manager
City Secretary
Finance Director
Community Development Director
Economic Development Director
Police Chief
Fire Chief
Librarian
Public Works Director

Manny Longoria
Janie Willman
Vickie Wallace
Kristie Flores
Vacant
Randall Wallace
Stan Irwin
Joyce Trent
Byron Vick

**City of Leon Valley
Organizational Chart**



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Leon Valley
6400 El Verde Road
Leon Valley, Texas 78238

We have audited the accompanying financial statements of the governmental activities, business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leon Valley, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Leon Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leon Valley, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011, on our consideration of the City of Leon Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leon Valley's financial statements as a whole. The combining and individual nonmajor fund financial statements and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Holtman Wagner & Company LLP

New Braunfels, Texas
November 2, 2011

Management's Discussion and Analysis

As management of Leon Valley, we offer readers of Leon Valley's financial statement this narrative overview and analysis of the financial activities of the City of Leon Valley for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements provided in this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,426,900 (net assets). Of this amount, \$4,179,692 (unrestricted net assets) may be used to meet Leon Valley's ongoing obligations to citizens and creditors.
- The general fund reported a fund balance this year of \$3,309,864 an increase of \$110,833.

Overview of the Financial Statements

This discussion and analysis is intended to serve as the introduction of the City of Leon Valley's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business financial presentation.

The *statement of net assets* is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between assets and liabilities as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information regarding increases and decreases to the government's net assets for the fiscal year. Changes in net assets are recorded when the underlying event giving rise to the change occurs regardless of the timing of cash flows. Therefore, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave). Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). Governmental activities include general government, public safety, public works, parks and recreation and library. The business-type activities of the City are water and sewer. The City has one component unit which is a 4B Economic Development sales tax.

Fund Financial Statements. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary

statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three types: governmental, proprietary, and fiduciary. However, the City does not have any fiduciary funds.

Governmental funds. Governmental funds are used for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

As the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the provision of water and sewer services to residents.

Proprietary fund financial statements provide separate and more detailed information for the water and sewer fund. The water and sewer fund is considered a major fund of the City.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information on the City's General Fund budget, which is adopted on an annual basis. A budgetary comparison statement has been provided for this fund in order to demonstrate budgetary compliance with this budget.

Government-wide Financial Analysis

GASB No. 34, basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, requires that the City provide a comparative analysis of government-wide data. Below is a comparative summary of the governmental activities and business-type activities as required by GASB Statement No. 34:

City of Leon Valley, Texas
Statement of Net Assets
As of September 30, 2011
(With Comparative Totals for September 30, 2010)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets	\$ 5,160,980	\$ 5,340,508	\$ 2,927,594	\$ 2,883,826	\$ 8,088,574	\$ 8,224,334
Capital assets	9,216,107	9,583,549	4,138,854	3,897,305	13,354,961	13,480,854
Total assets	<u>\$ 14,377,087</u>	<u>\$ 14,924,057</u>	<u>\$ 7,066,448</u>	<u>\$ 6,781,131</u>	<u>\$ 21,443,535</u>	<u>\$ 21,705,188</u>
Liabilities:						
Current liabilities	\$ 843,878	\$ 986,117	\$ 169,613	\$ 230,777	\$ 1,013,491	\$ 1,216,894
Long-term liabilities	3,106,309	3,411,702	52,254	166,093	3,158,563	3,577,795
Total liabilities	<u>\$ 3,950,187</u>	<u>\$ 4,397,819</u>	<u>\$ 221,867</u>	<u>\$ 396,870</u>	<u>\$ 4,172,054</u>	<u>\$ 4,794,689</u>
Net assets:						
Investment in capital assets, net of related debt	\$ 5,639,798	\$ 6,213,549	\$ 4,138,854	\$ 3,897,305	\$ 9,778,652	\$ 10,110,854
Restricted net assets	101,101	132,581	568,056	339,733	669,157	472,314
Unrestricted net assets	4,686,001	4,180,108	2,137,671	2,147,223	6,823,672	6,327,331
Total net assets	<u>10,426,900</u>	<u>10,526,238</u>	<u>6,844,581</u>	<u>6,384,261</u>	<u>17,271,481</u>	<u>16,910,499</u>
Total liabilities and net assets	<u>\$ 14,377,087</u>	<u>\$ 14,924,057</u>	<u>\$ 7,066,448</u>	<u>\$ 6,781,131</u>	<u>\$ 21,443,535</u>	<u>\$ 21,705,188</u>

The largest portion of the City's net assets, \$9,778,652 represents its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Leon Valley uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the other net assets, \$669,157 represents resources that are subject to external restrictions on how they may be used. The remaining \$6,823,672 represents unrestricted net assets, which can be used to meet the government's ongoing obligations to citizens and creditors.

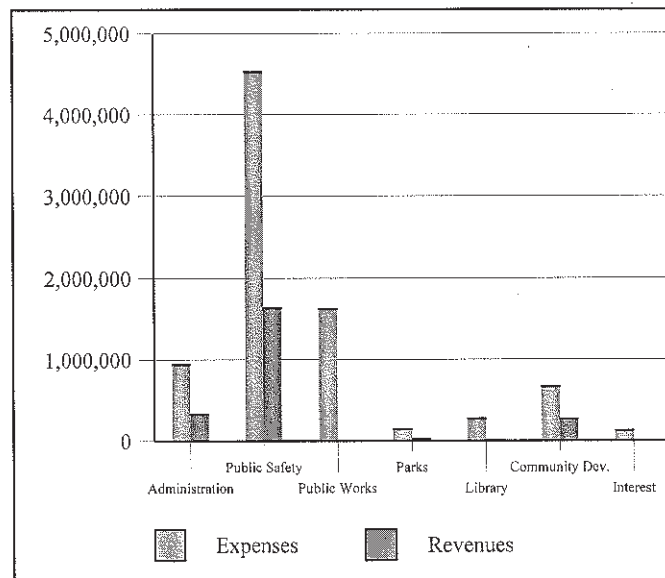
Governmental Activities. Governmental activities decreased net assets by \$99,338, which is attributable to fluctuations in program revenues and expenses. Key elements of this decrease are as follows:

City of Leon Valley, Texas
Change in Net Assets
For the Year Ended September 30, 2011
(With Comparative Totals for September 30, 2010)

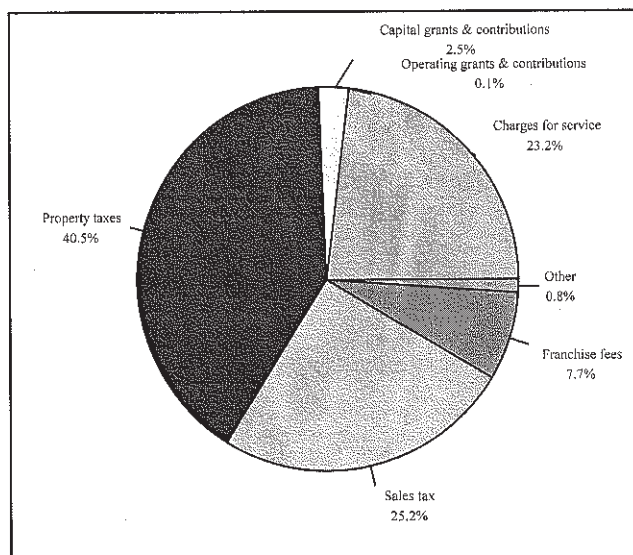
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for services	\$ 1,509,555	\$ 2,034,299	\$ 3,115,598	\$ 2,840,701	\$ 4,625,153	\$ 4,875,000
Operating grants and contributions	49,602	9,953	-	-	49,602	9,953
Capital grants and contributions	81,683	218,790	-	-	81,683	218,790
General Revenues:						
Property taxes	3,522,321	3,552,821	-	-	3,522,321	3,552,821
Sales tax	2,253,347	2,207,901	-	-	2,253,347	2,207,901
Franchise fees	728,548	677,001	-	-	728,548	677,001
Impact fees	-	-	81,254	239,490	81,254	239,490
Interest	7,172	8,546	3,827	4,444	10,999	12,990
Miscellaneous	-	11,025	56,453	44,575	56,453	55,600
Total revenues	8,152,228	8,720,336	3,257,132	3,129,210	11,409,360	11,849,546
Expenses						
Administration	849,230	940,156	-	-	849,230	940,156
Public safety	4,502,741	4,525,947	-	-	4,502,741	4,525,947
Public works	1,715,642	1,624,573	-	-	1,715,642	1,624,573
Parks and recreation	135,728	144,742	-	-	135,728	144,742
Library	264,260	274,701	-	-	264,260	274,701
Community development	666,326	664,712	-	-	666,326	664,712
Utility	-	-	2,796,812	2,631,544	2,796,812	2,631,544
Interest and fiscal agent fees	117,639	122,184	-	-	117,639	122,184
Total expenses	8,251,566	8,297,015	2,796,812	2,631,544	11,048,378	10,928,559
Other financing sources (uses):						
Transfer out	-	-	-	(54,000)	-	(54,000)
Transfer in	-	54,000	-	-	-	54,000
Increase (decrease) in net assets	(99,338)	477,321	460,320	443,666	360,982	920,987
Net assets at beginning of year	10,526,238	10,048,917	6,384,261	5,940,595	16,910,499	15,989,512
Net assets at end of year	\$ 10,426,900	\$ 10,526,238	\$ 6,844,581	\$ 6,384,261	\$ 17,271,481	\$ 16,910,499

Revenue for governmental activities for the fiscal year ended September 30, 2011 totaled \$8,152,228 a decrease of \$568,108 over fiscal year 2010 total revenues of \$8,720,336. In 2010 the City benefited from a Federal criminal forfeiture of about \$328,000 which accounts for most of the decrease, the remaining change is due to a decrease in a CDBG grant in 2011.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

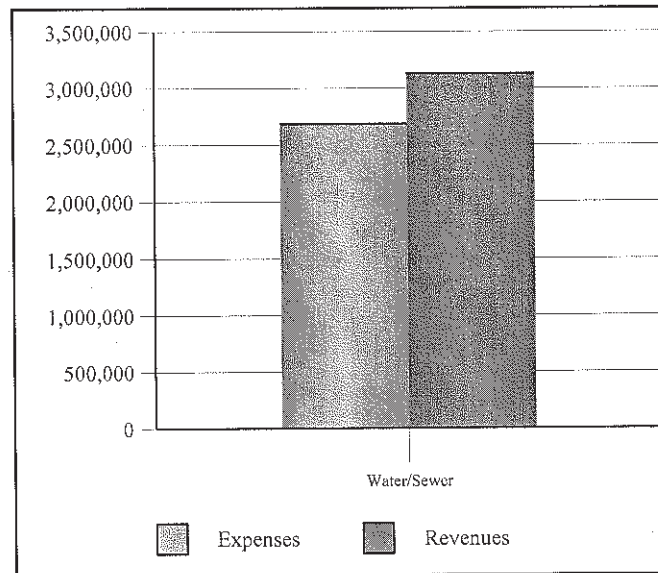


Expenses for governmental activities totaled \$8,251,566, a decrease of \$45,449 over fiscal year 2010, due mainly to the purchase of a fire truck in 2010.

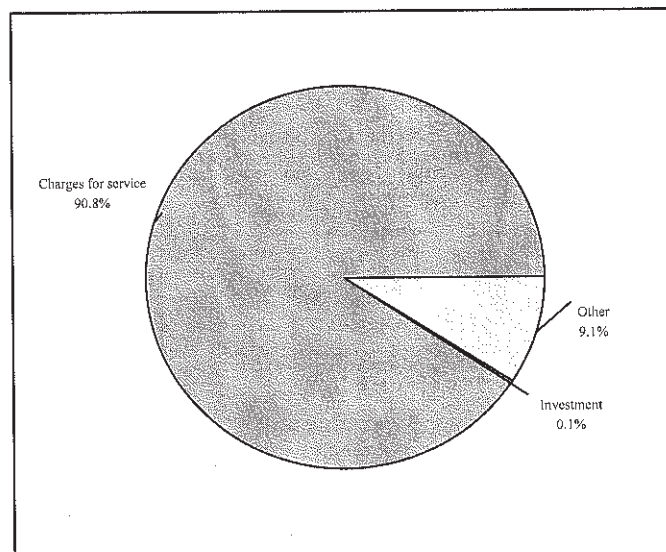
Business-Type of Activities. Business-type activities increased net assets by \$460,320. Key elements of this increase are as follows:

- Charges for service for business-type activities increased by \$274,897, which is attributable to a 3% rate increase for water and sewer services.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Governmental Funds

As noted earlier, the City's uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Activities of the Primary Government's General Fund, Special Revenue Funds and Debt Service Funds are considered general government functions. The General Fund is the City's general operating fund. Special Revenue Funds are used to account for proceeds of specific sources that are legally restricted as to expenditures. The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as long-term obligations.

As of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,629,097, a decrease of \$8,218 in comparison with fiscal year 2010. The general fund which is the chief operating fund of the City, at the end of the current fiscal year, had a Committed Fund Balance of \$800,000. The Committed Fund Balance is used only for man-made or natural disaster emergencies.

For the fiscal year ended September 30, 2011, the fund balance of the City's general fund increased by \$110,833. A key factor in the increase is as follows:

- Ad valorem collection rate was higher than budgeted.
- Rebate for liability and property insurance was larger than anticipated.
- Personnel vacancies.

The debt service fund has a total fund balance of \$178,907, all of which is reserved for the payment of debt service. The net increase in the fund balance during the current year in the debt service fund was \$12,981.

The Federal Police Forfeiture Fund has a total fund balance of \$472,517, all of which is legally restricted. The net decrease in the fund balance during the current year in the Police Forfeiture Fund was \$96,604.

Proprietary funds. The City's proprietary fund provided the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$1,137,671. The total growth in net assets for the water and sewer fund was \$460,320. Other factors concerning the finances of this fund have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget for a total increase of \$154,634. The following are the main components of the increase:

- \$25,000 supplemental appropriation to fund a Grant Writer contract;
- \$33,614 supplemental appropriation for health insurance;
- \$20,600 supplemental appropriation for longevity pay;
- \$54,500 supplemental appropriation for Phase II of the Master Redevelopment Plan.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$13,354,962 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, parks facilities, and roads. The City's investment in capital assets for the fiscal year ended September 30, 2011 decreased by \$125,892 from FY 2010.

City of Leon Valley, Texas Capital Assets (net of depreciation)

Governmental activities:

	Balance 9-30-10	Reclass and Additions	Reclass and Disposals	Balance 9-30-11
Assets not being depreciated:				
Land	\$ 664,655	\$ -	\$ -	\$ 664,655
Construction in progress	18,805	-	(18,805)	-
	<u>683,460</u>	<u>-</u>	<u>(18,805)</u>	<u>664,655</u>
Assets being depreciated:				
Buildings	2,915,735	143,291	-	3,059,026
Transportation and equipment	5,105,574	91,576	(103,135)	5,094,015
Infrastructure	11,013,733	-	-	11,013,733
	<u>19,035,042</u>	<u>234,867</u>	<u>(103,135)</u>	<u>19,166,774</u>
Less accumulated depreciation:				
Buildings	(1,310,358)	(58,668)	-	(1,369,026)
Transportation and equipment	-	-	-	-
	(2,655,174)	(363,192)	103,134	(2,915,232)
Infrastructure	(6,169,421)	(161,643)	-	(6,331,064)
	<u>(10,134,953)</u>	<u>(583,503)</u>	<u>103,134</u>	<u>(10,615,322)</u>
Assets being depreciated, net	<u>8,900,089</u>	<u>(348,636)</u>	<u>(1)</u>	<u>8,551,452</u>
Total capital assets, net	<u>\$ 9,583,549</u>	<u>\$ (348,636)</u>	<u>\$ (18,806)</u>	<u>\$ 9,216,107</u>

Business-type activities:

	Balance 9-30-10	Additions	Disposals	Balance 9-30-11
Assets not being depreciated:				
Land	\$ 76,348	\$ -	\$ -	\$ 76,348
Water rights	710,157	345,382		1,055,539
	<u>786,505</u>	<u>345,382</u>	<u>-</u>	<u>1,131,887</u>
Assets being depreciated:				
Buildings	25,403	-	-	25,403
Improvements other than buildings	6,644,883	-	-	6,644,883
Transportation and equipment	580,653	70,420	-	651,073
	<u>7,250,939</u>	<u>70,420</u>	<u>-</u>	<u>7,321,359</u>
Less accumulated depreciation:				
Buildings	(17,477)	(410)	-	(17,887)
Improvements other than buildings	(3,717,531)	(130,057)	-	(3,847,588)
Transportation and equipment	(405,131)	(43,786)	-	(448,917)
	<u>(4,140,139)</u>	<u>(174,253)</u>	<u>-</u>	<u>(4,314,392)</u>
Assets being depreciated, net	<u>3,110,800</u>	<u>(103,833)</u>	<u>-</u>	<u>3,006,967</u>
Total capital assets, net	<u>\$ 3,897,305</u>	<u>\$ 241,549</u>	<u>\$ -</u>	<u>\$ 4,138,854</u>

Additional information on the City of Leon Valley's capital assets can be found in note F of this report.

Long-term debt. For the fiscal year ended September 30, 2011, the City had a total bonded debt outstanding of \$3,070,000 this amount is general obligation bonds.

**City of Leon Valley, Texas
Outstanding Debt Long-Term
Debt**

Governmental activities:

	Balance 9-30-10	Additions	Payments	Balance 9-30-11	Due Within One Year
General Obligation Refunding Bonds					
Original amount of \$2,575,000					
interest rate 3.12%	\$ 2,340,000	\$ -	\$ (260,000)	\$ 2,080,000	\$ 270,000
Public Property Finance Contracts					
Original amount of \$1,060,000					
interest rate 4.42%	1,030,000	-	(40,000)	990,000	40,000
Subtotal	3,370,000	-	(300,000)	3,070,000	310,000
Compensated absences	510,702	160,295	(164,688)	506,309	160,000
	<u>\$ 4,110,381</u>	<u>\$ 160,295</u>	<u>\$ (464,688)</u>	<u>\$ 3,576,309</u>	<u>\$ 470,000</u>

Business-type activities:

	Balance 9-30-10	Additions	Disposals	Balance 9-30-11	Due Within One Year
Compensated absences	\$ 54,424	\$ 13,413	\$ (6,099)	\$ 61,738	\$ 5,400
	<u>\$ 54,424</u>	<u>\$ 13,413</u>	<u>\$ (6,099)</u>	<u>\$ 61,738</u>	<u>\$ 5,400</u>

The City total bonded debt decreased \$300,000 for the fiscal year ended September 30, 2011. Additional information on the City of Leon Valley's long-term debt activity can be found in note G of this report.

Economic Factors and Next Year's Budget and Rates

- For FY 2011, sales tax increased 1.73% from FY 2010.
- Using the certified tax roll as of October 1, FY 2011 taxable values for the tax year 2011 increased \$1,162,419.

These factors were taken into account when adopting the general fund budget for FY 2012; sales tax was budgeted with a 4.5% increase. The City adopted the effective tax rate of .535510, which is .008110 higher than the FY 2010 tax rate of .527400.

Expenditures for the General Fund are budgeted at \$7,273,939. The largest increase comes from personnel costs which are due to a 2% cost of living adjustment and merit increases.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 6400 El Verde Road, Leon Valley, Texas 78238.

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City of Leon Valley, Texas
Statement of Net Assets
September 30, 2011

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 4,418,099	\$ 2,458,402	\$ 6,876,501	\$ 286,425
Accounts receivable-net of allowances for uncollectible:				
Property taxes	131,597	-	131,597	-
EMS charges	-	-	-	-
Special assessment	11,744	-	11,744	-
Other	134,186	326,764	460,950	-
Due from other governments	351,819	-	351,819	39,282
Inventories	16,198	-	16,198	-
Prepaid items	35,352	6,461	41,813	-
Restricted cash, customer deposits	-	135,967	135,967	-
Capitalized bond issue costs	61,985	-	61,985	-
Capital assets:				
Land	664,655	76,348	741,003	-
Construction in progress	-	-	-	-
Water rights	-	1,055,539	1,055,539	-
Buildings	1,690,000	7,516	1,697,516	-
Water/wastewater system-plant	-	2,797,295	2,797,295	-
Transportation and equipment	2,178,783	202,156	2,380,939	-
Infrastructure	4,682,669	-	4,682,669	-
Total assets	\$ 14,377,087	\$ 7,066,448	\$ 21,443,535	\$ 325,707
LIABILITIES				
Accounts payable	\$ 135,895	\$ 14,933	\$ 150,828	\$ -
Accrued expenditures	153,256	9,229	162,485	-
Accrued interest payable	47,320	-	47,320	-
Payable from restricted assets, customer deposits	-	135,967	135,967	-
Deposits payable	37,407	-	37,407	-
Non-current liabilities:				
Due within one year	470,000	5,400	475,400	-
Due in more than one year	3,106,309	56,338	3,162,647	-
Total liabilities	3,950,187	221,867	4,172,054	-
NET ASSETS				
Invested in capital assets, net of related debt	5,639,798	4,138,854	9,778,652	-
Restricted for:				
Inventory	16,198	-	16,198	-
Prepaid expense	35,352	-	35,352	-
Parks	49,551	-	49,551	-
Water supply	-	194,015	194,015	-
Storm water fee	-	374,041	374,041	-
Unrestricted net assets	4,686,001	2,137,671	6,823,672	325,707
Total net assets	10,426,900	6,844,581	17,271,481	325,707
Total liabilities and net assets	\$ 14,377,087	\$ 7,066,448	\$ 21,443,535	\$ 325,707

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Activities
For the Year Ended September 30, 2011

Functions and Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government governmental activities:			
Administration	\$ (849,230)	\$ 288,791	\$ -
Public safety	(4,502,741)	1,082,149	44,149
Public works	(1,715,642)	-	-
Parks and recreation	(135,728)	16,790	-
Library	(264,260)	3,102	5,453
Community development	(666,326)	118,723	-
Interest and fees	(117,639)	-	-
Total governmental activities	(8,251,566)	1,509,555	49,602
 Business-type activities:			
Water/Wastewater	(2,796,812)	3,115,598	-
Total business-type activities	(2,796,812)	3,115,598	-
 Primary government	\$ (11,048,378)	\$ 4,625,153	\$ 49,602
 Component Unit:			
Leon Valley Economic Development Corporation	\$ (117,921)	\$ -	\$ -
 General revenues:			
Property taxes			
Sales taxes			
Franchise fees			
Impact fees			
Interest			
Miscellaneous			
Total general revenues			
Transfers			
Change in net assets			
 Net assets at the beginning of the year			
Net assets at the end of the year			

The accompanying notes are an integral part of this statement.

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
\$ -	\$ (560,439)	\$ -	\$ (560,439)	
-	(3,376,443)	-	(3,376,443)	
-	(1,715,642)	-	(1,715,642)	
-	(118,938)	-	(118,938)	
-	(255,705)	-	(255,705)	
81,683	(465,920)	-	(465,920)	
-	(117,639)	-	(117,639)	
<u>81,683</u>	<u>(6,610,726)</u>	<u>-</u>	<u>(6,610,726)</u>	
	-	318,786	318,786	
	-	<u>318,786</u>	<u>318,786</u>	
	<u>(6,610,726)</u>	<u>318,786</u>	<u>(6,291,940)</u>	
				\$ <u>(117,921)</u>
	3,522,321	-	3,522,321	-
	2,253,347	-	2,253,347	214,514
	728,548	-	728,548	-
	-	81,254	81,254	-
	7,172	3,827	10,999	222
	-	56,453	56,453	-
	<u>6,511,388</u>	<u>141,534</u>	<u>6,652,922</u>	<u>214,736</u>
	<u>(99,338)</u>	<u>460,320</u>	<u>360,982</u>	<u>96,815</u>
	10,526,238	6,384,261	16,910,499	228,892
<u>\$ 10,426,900</u>	<u>\$ 6,844,581</u>	<u>\$ 17,271,481</u>	<u>\$ 325,707</u>	

City of Leon Valley, Texas
Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,185,739	\$ 1,232,360	\$ 4,418,099
Accounts receivable-net of allowance for uncollectible:			
Property taxes	114,616	16,981	131,597
EMS charges	-	-	-
Special assessment	-	11,744	11,744
Other	31,000	103,186	134,186
Due from other governments	323,647	28,172	351,819
Prepaid items	34,547	805	35,352
Inventories	16,198	-	16,198
Total assets	<u>\$ 3,705,747</u>	<u>\$ 1,393,248</u>	<u>\$ 5,098,995</u>
LIABILITIES			
Accounts payable	\$ 126,620	\$ 9,275	\$ 135,895
Accrued expenditures	153,027	228	153,255
Deposits payable	1,620	35,787	37,407
Deferred/unearned revenue	114,616	28,725	143,341
Total liabilities	<u>395,883</u>	<u>74,015</u>	<u>469,898</u>
FUND BALANCES			
Nonspendable	50,745	805	51,550
Restricted-park fund	49,531	-	49,531
Restricted-park bucks	20	-	20
Restricted-debt service	-	178,907	178,907
Restricted-special revenue	-	1,065,926	1,065,926
Committed-disaster emergencies	800,000	-	800,000
Assigned-library construction	56,642	-	56,642
Unassigned	2,352,926	73,595	2,426,521
Total fund balances	<u>3,309,864</u>	<u>1,319,233</u>	<u>4,629,097</u>
Total liabilities and fund balances	<u>\$ 3,705,747</u>	<u>\$ 1,393,248</u>	<u>\$ 5,098,995</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2011

Total fund balance-total governmental funds (page 18)	\$ 4,629,097
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,216,107
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are not deferred in the funds.	143,340
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Bond issue costs which will be amortized in future years are not reported in the funds.	61,985
---	--------

Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.	(506,309)
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Long-term liabilities consisting of bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(3,070,000)
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Accrued interest payable on bonded debt is not reported in the funds.	(47,320)
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Total net assets of governmental activities (page 15)	\$ <u>10,426,900</u>
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The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statements of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended September 30, 2011

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 3,119,772	\$ 426,259	\$ 3,546,031
Sales taxes	1,750,031	503,316	2,253,347
Franchise fees	728,548	-	728,548
Licenses, permits, fees and fines	1,326,750	99,394	1,426,144
Grants	5,453	84,415	89,868
Rent	-	68,681	68,681
Interest	6,271	901	7,172
Miscellaneous	-	56,146	56,146
Total revenues	<u>6,936,825</u>	<u>1,239,112</u>	<u>8,175,937</u>
EXPENDITURES			
Current:			
Administration	792,507	24,752	817,259
Public safety	4,128,334	99,798	4,228,132
Public works	1,041,859	500,431	1,542,290
Parks and recreation	102,914	-	102,914
Library	259,858	-	259,858
Community development	482,520	128,230	610,750
Capital outlay	-	209,674	209,674
Debt service:			
Principal	-	300,000	300,000
Interest	-	112,278	112,278
Fiscal agent fees and bond issue costs	-	1,000	1,000
Total expenditures	<u>6,807,992</u>	<u>1,376,163</u>	<u>8,184,155</u>
Excess (deficiency) of revenues over (under) expenditures	128,833	(137,051)	(8,218)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	18,000	18,000
Transfers out	(18,000)	-	(18,000)
Total other financing sources (uses)	<u>(18,000)</u>	<u>18,000</u>	<u>-</u>
Net change in fund balance	110,833	(119,051)	(8,218)
 Total fund balance-beginning of year	 3,199,031	 1,438,284	 4,637,315
Total fund balance-end of year	<u><u>\$ 3,309,864</u></u>	<u><u>\$ 1,319,233</u></u>	<u><u>\$ 4,629,097</u></u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Reconciliation of the Statements of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended September 30, 2011

Net change in fund balances-governmental funds (page 20) **\$ (8,218)**

Amounts reported in governmental activities and in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized. 216,061

Capital assets are not recorded in government funds and are not therefore depreciated. However, in the Statement of Activities these assets are depreciated over their estimated useful lives. This is the amount of 2011 depreciation. (583,503)

Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the Statement of Activities. This is the change in deferred from the prior year. (23,709)

Bond issue costs are expended in the governmental activities, but are capitalized and amortized over the life of the bond in the Statement of Activities. This is the amortization for 2011 (4,361)

The repayment of principal on debt consumes current financial resources and is expended in the governmental funds, but is a reduction of the liability and does not affect the Statement of Activities. 300,000

Amounts to be expended for long-term employee leave is not recorded as an expenditure in the funds, but is an expense in the Statement of Activities. This is the change in compensated absences in 2011 4,392

Change in net assets of governmental activities (page 17) **\$ (99,338)**

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Net Assets-Proprietary Fund
September 30, 2011

	Business Type Activity Water & Wastewater
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,458,402
Accounts receivable-net of allowance for uncollectible	326,764
Prepaid items	6,461
Total current assets	<u>2,791,627</u>
Non-current assets:	
Restricted cash and cash equivalents for customer deposits	135,967
Capital assets:	
Land	76,348
Water rights	1,055,539
Buildings	7,516
Water and wastewater system-plant	2,797,295
Equipment	202,156
Net capital assets	<u>4,138,854</u>
Total non-current assets	<u>4,274,821</u>
Total assets	<u>\$ 7,066,448</u>
LIABILITIES	
Accounts payable	\$ 14,933
Accrued expenses	9,229
Current portion of accrued leave	5,400
Total current liabilities	<u>29,562</u>
Non-current liabilities:	
Accrued leave	56,338
Payable from restricted assets:	
Customer deposits payable	135,967
Total non-current liabilities	<u>192,305</u>
Total liabilities	<u>221,867</u>
NET ASSETS	
Invested in capital assets	4,138,854
Restricted net assets:	
Water supply fee reserve	194,015
Storm water fee reserve	374,041
Unrestricted net assets:	
Appropriated for capital outlay	1,787,671
Unrestricted unappropriated net assets	350,000
Total net assets	<u>6,844,581</u>
Total liabilities and net assets	<u>\$ 7,066,448</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended September 30, 2011

	Business Type Activity <u>Water & Wastewater</u>
OPERATING REVENUES	
Metered water sales	\$ 877,282
Wastewater sales charges	1,591,623
Storm water fees	376,462
Connection and platting	207,526
Customer penalties	37,785
Customer disconnect fees	6,820
Tap fees	18,100
Total revenues	<u>3,115,598</u>
OPERATING EXPENSES	
General and administrative	522,579
Water system	797,990
Wastewater system	1,115,645
Repairs and maintenance	186,345
Depreciation	174,253
Total expenses	<u>2,796,812</u>
Operating income	318,786
NON-OPERATING REVENUES (EXPENSES)	
Interest income	3,827
Miscellaneous income	56,453
Impact fees	81,254
Non-operating transfer out	-
Total non-operating revenues (expenses)	<u>141,534</u>
Net change in net assets	460,320
Total net assets-beginning of year	6,384,261
Total net assets-end of year	<u>\$ 6,844,581</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Cash Flows
For the Year Ended September 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Payments received from customers	\$ 3,101,480
Payments to suppliers for goods and services	(1,973,123)
Payments for salaries and benefits	(849,799)
Net cash provided by operating activities	<u>278,558</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(415,802)
Customer deposits repaid	18,899
Impact and service fees	137,707
Net cash provided (used) by capital and related financing activities	<u>(259,196)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	3,827
Net cash provided (used) by investing activities	<u>3,827</u>

Net increase (decrease) in cash and cash equivalents	<u>23,189</u>
---	---------------

Cash and cash equivalents at beginning of period:

Cash and cash equivalents	2,454,111
Restricted cash and cash equivalents	117,069

Cash and cash equivalents at beginning of period	\$ <u>2,571,180</u>
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Cash and cash equivalents at end of period:

Cash and cash equivalents	2,458,402
Restricted cash and cash equivalents	135,967

Cash and cash equivalents at end of period	\$ <u><u>2,594,369</u></u>
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City of Leon Valley, Texas
Statement of Cash Flows (continued)
For the Year Ended September 30, 2011

**RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 318,786
Depreciation	174,253
(Increase) decrease in assets:	
Accounts receivable	(14,118)
Prepaid expense	(6,461)
Increase (decrease) in liabilities:	
Accounts payable	(196,282)
Accrued expenses	2,380
Net cash provided (used) by operating activities	<u>\$ 278,558</u>

The accompanying notes are an integral part of this statement.

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CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leon Valley, Texas ("City"), was incorporated in 1952. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: police and fire protection, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

1. REPORTING ENTITY

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the criteria of GASB Nos. 14 and 39, the Leon Valley Community Development Corporation (LVEDC) is considered to be a discretely presented component unit. The LVEDC is financially accountable to the City because City Council approves the LVEDC budget and must approve any debt issuance. The component unit's board is appointed by City Council and its activities benefit the City by promoting growth and development opportunities.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The value of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Separate fund financial statements are provided for governmental funds and proprietary funds. The General Fund is the only City fund that meets the criteria as a major governmental fund. The combined amounts for all nonmajor funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining and Individual Fund Statements and Schedules.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for good, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which are levied prior to September 30, 2010, and became due October 1, 2010 have been assessed to finance the budget of the fiscal year beginning October 1, 2010 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statement at September 30, 2011.

Sales taxes, franchise taxes, hotel/motel taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

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Nonmajor funds include Special Revenue Funds, Capital Projects Fund, and Debt Services Fund.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water/Wastewater Fund (used to account for the provisions of water and sewer services to residents.)

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Enterprise Fund (Water and Wastewater Fund) considers all highly liquid investments including cash in banks, cash on hand, money market accounts, deposits in local government investment pools, and restricted cash and temporary investments to be cash equivalents.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost (see Note B).

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2010 and past due after January 31, 2011. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

CITY OF LEON VALLEY, TEXAS
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Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

8. INVENTORIES

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method.

9. BUDGET

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

10. RESTRICTED ASSETS

Certain Enterprise Fund revenues are collected for a specific purpose by State law and City ordinances such as impact fees for infrastructure improvements and the purchase of future water rights. These funds are classified as restricted assets on the statement of net assets and balance sheet because their use is limited by law.

Also, considered as restricted assets are deposits of water/sewer customers and performance bond deposits pending refund to the customer.

11. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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<u>Capital Asset</u>	<u>Useful Life</u>
Buildings	50 years
Transportation and equipment	3-30 years
Infrastructure	50 years
Improvements other than buildings	50 years

12. COMPENSATED ABSENCES

Vested or accumulated vacation leave and compensatory time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation leave and compensatory time of the Enterprise Fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation pay and compensatory time at September 30, 2011, of \$61,738 and \$506,309 has been recorded in accrued liabilities of the Enterprise Fund and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

13. DEFERRED/UNEARNED REVENUE

Property tax revenues and emergency medical services are recognized when they become both measurable and available in fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and emergency medical service revenues not expected to be available for the current period are reflected as deferred revenue.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expense/expenditures are reflected as unearned revenue.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets. On new bond issues, bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LEON VALLEY, TEXAS
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15. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose. Fund reservations include special revenues, capital projects, debt service, prepaid items and inventories.

16. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net assets of its business type activity. Such appropriations reflect the intended use of the net assets.

17. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

18. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for electric, water, and sewer services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

19. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. FUND BALANCE CLASSIFICATION POLICIES

The City adopted GASB 54, Governmental Accounting Standards Board Statement Number 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted - These funds are governed by externally enforceable restrictions.

CITY OF LEON VALLEY, TEXAS
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- Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned - For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a city administrator or finance director. For example, during the budget process, the council decided to use some existing fund balance to support activities in the upcoming year.
- Unassigned - This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

NOTE B—CASH AND CASH EQUIVALENTS

The City's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. CASH

At September 30, 2011, the carrying amount of the primary government's (the City) cash on hand was \$1,400, deposits in the bank were \$903,645 and the book balance was \$888,225. The City's cash was fully collateralized. The component unit's bank deposits were \$286,806 and the book balance was \$286,425. This balance was fully collateralized.

2. INVESTMENTS

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investments pools, 9) guaranteed investment contracts, and 10) commercial paper.

CITY OF LEON VALLEY, TEXAS
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The City's cash, and cash equivalents at September 30, 2011 are as shown below:

	Reported and Fair Value	Weighted Average Maturity	Rating	
			Moody's	S&P
TexPool	\$ 4,622,843	n/a	Aaa	AAAm
Certificates of deposit	1,500,000	129 days	n/a	n/a
Cash on hand	1,400	n/a	n/a	n/a
Bank deposits	888,225	n/a	n/a	n/a
Total cash, cash equivalents, and investments	7,012,468			
Unrestricted	6,876,501			
Restricted	\$ <u>135,967</u>			

ANALYSIS OF SPECIFIC DEPOSIT AND INVESTMENT RISKS

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. City investment policy follows state guidelines. The City policy allows investments in certificates of deposit with banks in Texas, investments in U.S. Treasuries and Agencies, and investment pools that invest in obligations of the United States or its agencies and instrumentalities to name a few.

At September 30, 2011, the City's investments were in Certificates of Deposit and TexPool, a public funds investment pool where all securities held maintain a continuous rating of no lower than Aaa or AAAm or an equivalent rating by at least one nationally recognized rating service.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

CITY OF LEON VALLEY, TEXAS
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At year-end and per City policy all funds were in the City's name and collateralized with securities that maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. The City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. All City funds are in the external investment pool as allowed by the City's investment policy, and the investment pool invests in hundreds of authorized securities that minimizes concentrations of credit risk. At year-end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair market value of an investment. At year-end, the City was not exposed to interest rate risk due to investment in an external investment pool as authorized by the City's investment policy.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City's policy does not allow investment in foreign currency. At year end the City was not exposed to foreign currency risk.

4. INVESTMENT POLICY

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

5. PUBLIC FUNDS INVESTMENT POOLS

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, as are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

CITY OF LEON VALLEY, TEXAS
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NOTE C—RECEIVABLES

1. SPECIAL ASSESSMENTS

The City levied special assessments in 1986 against various property owners benefiting from public improvements completed in 1987. In accordance with the provisions of the assessment certificates issued for the property owners, assessments are due and payable at the time of completion. All assessments receivable as of September 30, 2011, are considered delinquent. These public improvements were funded through a note payable at the City's depository bank. Collections from assessment accounts were insufficient to cover the required note payments and therefore, the City's General Fund paid the note in full through a transfer. Accordingly, current and future principal and interest collections on these delinquent accounts will be used to reimburse the City's General Fund. The related assessments receivable, revenues, deferred revenue, and debt payments are reported in the Debt Service Fund.

2. OTHER RECEIVABLES

Other receivables consist of the following:

	Amount	Allowance for Doubtful	Net Receivable
Property taxes	\$ 154,790	\$ (23,193)	\$ 131,597
EMS receivables	\$ 202,832	\$ (202,832)	-
Special assessment	\$ 11,744	-	\$ 11,744
Accounts	\$ 134,186	-	\$ 134,186
Utility	\$ 340,872	\$ (14,108)	\$ 326,764

NOTE D—PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2010, upon which the fiscal 2011 levy was based, was \$692,616,036 (market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2011 was \$.5274 per \$100 of assessed value, which means that the City has a tax margin of \$1.9726 for each \$100 value. The City may not, however, adopt a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, without first having two public hearings. If the City adopts a tax rate that exceeds the rollback tax rate, registered voters may petition the City for an election on the tax increase. A successful election limits the City's current tax rate to the rollback rate.

CITY OF LEON VALLEY, TEXAS
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Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE E—INTERFUND TRANSACTIONS

Transfers consisted of the following:

General fund

Transfer to non-major fund:

		Purpose
Child safety fund	\$ 15,000	Program supplement
Building security fund	3,000	Program supplement
	<u>\$ 18,000</u>	

NOTE F—CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2011, was as follows:

Governmental activities:

	Balance 9-30-10	Reclass and Additions	Reclass and Disposals	Balance 9-30-11
Assets not being depreciated:				
Land	\$ 664,655	\$ -	\$ -	\$ 664,655
Construction in progress	18,805	-	(18,805)	-
	<u>683,460</u>	<u>-</u>	<u>(18,805)</u>	<u>664,655</u>
Assets being depreciated:				
Buildings	2,915,735	143,291	-	3,059,026
Transportation and equipment	5,105,574	91,576	(103,135)	5,094,015
Infrastructure	11,013,733	-	-	11,013,733
	<u>19,035,042</u>	<u>234,867</u>	<u>(103,135)</u>	<u>19,166,774</u>
Less accumulated depreciation:				
Buildings	(1,310,358)	(58,668)	-	(1,369,026)
Transportation and equipment	(2,655,174)	(363,192)	103,134	(2,915,232)
Infrastructure	(6,169,421)	(161,643)	-	(6,331,064)
	<u>(10,134,953)</u>	<u>(583,503)</u>	<u>103,134</u>	<u>(10,615,322)</u>
Assets being depreciated, net	8,900,089	(348,636)	(1)	8,551,452
Total capital assets, net	<u>\$ 9,583,549</u>	<u>\$ (348,636)</u>	<u>\$ (18,806)</u>	<u>\$ 9,216,107</u>

CITY OF LEON VALLEY, TEXAS
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Depreciation Expense was charged to the governmental functions as follows:

Administration	\$	39,688
Public safety		283,464
Public works		173,891
Parks and recreation		27,645
Community development		52,369
Library		6,446
	\$	<u>583,503</u>

Business-type capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 9-30-10	Additions	Disposals	Balance 9-30-11
Assets not being depreciated:				
Land	\$ 76,348	\$ -	\$ -	\$ 76,348
Water rights	<u>710,157</u>	<u>345,382</u>		<u>1,055,539</u>
	<u>786,505</u>	<u>345,382</u>	<u>-</u>	<u>1,131,887</u>
Assets being depreciated:				
Buildings	25,403	-	-	25,403
Improvements other than buildings	6,644,883	-	-	6,644,883
Transportation and equipment	<u>580,653</u>	<u>70,420</u>	<u>-</u>	<u>651,073</u>
	<u>7,250,939</u>	<u>70,420</u>	<u>-</u>	<u>7,321,359</u>
Less accumulated depreciation:				
Buildings	(17,477)	(410)	-	(17,887)
Improvements other than buildings	(3,717,531)	(130,057)	-	(3,847,588)
Transportation and equipment	<u>(405,131)</u>	<u>(43,786)</u>	<u>-</u>	<u>(448,917)</u>
	<u>(4,140,139)</u>	<u>(174,253)</u>	<u>-</u>	<u>(4,314,392)</u>
Assets being depreciated, net	<u>3,110,800</u>	<u>(103,833)</u>	<u>-</u>	<u>3,006,967</u>
Total capital assets, net	\$ <u>3,897,305</u>	\$ <u>241,549</u>	\$ <u>-</u>	\$ <u>4,138,854</u>

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE G—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2011 were comprised of the following individual issues:

Governmental activities:

	Balance 9-30-10	Additions	Payments	Balance 9-30-11	Due Within One Year
General Obligation Refunding Bonds					
Original amount of \$2,575,000					
interest rate 3.12%	\$ 2,340,000	\$ -	\$ (260,000)	\$ 2,080,000	\$ 270,000
Public Property Finance Contracts					
Original amount of \$1,060,000					
interest rate 4.42%	1,030,000	-	(40,000)	990,000	40,000
Subtotal	3,370,000	-	(300,000)	3,070,000	310,000
Compensated absences	510,702	160,295	(164,688)	506,309	160,000
	<u>\$ 4,110,381</u>	<u>\$ 160,295</u>	<u>\$ (464,688)</u>	<u>\$ 3,576,309</u>	<u>\$ 470,000</u>

Business-type activities:

	Balance 9-30-10	Additions	Disposals	Balance 9-30-11	Due Within One Year
Compensated absences	\$ 54,424	\$ 13,413	\$ (6,099)	\$ 61,738	\$ 5,400
	<u>\$ 54,424</u>	<u>\$ 13,413</u>	<u>\$ (6,099)</u>	<u>\$ 61,738</u>	<u>\$ 5,400</u>

In the past, the General Fund and the Water & Wastewater fund were used to liquidate compensated absences.

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The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2011, including interest payments, are as follows:

Year ended September 30,	As to Principal	As to Interest	Total
2012	\$ 310,000	\$ 103,328	\$ 413,328
2013	320,000	94,027	414,027
2014	330,000	84,327	414,327
2015	340,000	74,278	414,278
2016	350,000	63,501	413,501
2017-2021	890,000	171,846	1,061,846
2022-2026	305,000	89,373	394,373
2027-2029	225,000	16,506	241,506
	<u>\$ 3,070,000</u>	<u>\$ 697,186</u>	<u>\$ 3,767,186</u>

In 2009 the Series 1998 Certificates of Obligation were advance refunded. The debt is considered to be extinguished as deposits were made to an agent escrow account to fund future debt service. The balance outstanding of these refunded Certificates at September 30, 2011 was \$2,105,000

NOTE H—EMPLOYEES' RETIREMENT SYSTEM

Plan Description- The City provides pension benefits for all of its eligible employees through a non-traditional, joint-contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan years 2010 and 2011</u>
Employee deposit rate	6.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	10
Service requirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Contributions- Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the applicable period for that entity. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The funding status and the annual pension cost and net pension obligation (asset) are as follows:

Year	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) (A)/(B) Funding Ratio	(D) Unfunded Actuarial Accrued Liability (UAAL)	(E) Annual Covered payroll	(D)/(E) UAAL as a Percent of Covered Payroll
2008	\$ 14,208,942	\$ 20,681,163	68.70%	\$ 6,472,221	\$ 4,314,054	150.03%
2009	\$ 15,296,196	\$ 21,939,944	69.72%	\$ 6,643,748	\$ 4,366,614	152.15%
2010	\$ 25,902,789	\$ 30,487,236	84.96%	\$ 4,584,447	\$ 4,572,138	100.27%

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information of the latest actuarial valuation at December 31, 2010 also follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level Percent	Level Percent	Level Percent
Amortization Method	of Payroll	of Payroll	of Payroll
Amortization Period	27.1 Years-Closed	28 Years-Closed	29 Years-Closed
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	Amortized Cost
Actuarial Assumptions			
Investment Return	7.00%	7.50%	7.50%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%

Supplemental Death Benefits Fund- the City also participates in the cost sharing multi-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits- The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit" or OPEB.

Contributions- The City contributes to the SDBF at a contractually required contribution rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions for 2011, 2010, and 2009 were \$13,716, \$12,052 and \$12,289 respectively and equaled the required contributions for those years. A schedule of contribution rates follows:

Plan Year	Annual Required Contribution Rate	Actual Contribution Made	Percentage of ARC Contributed
2011	0.03%	0.03%	100.00%
2010	0.03%	0.03%	100.00%
2009	0.05%	0.05%	100.00%

NOTE I—FUND BALANCE CATEGORIES

	General Fund	Other Governmental Funds	Total
Non-spendable			
Prepaid expenditures	\$ 34,547	\$ 805	\$ 35,352
Inventory	16,198	-	16,198
	<u>50,745</u>	<u>805</u>	<u>51,550</u>
Restricted			
Park construction	49,531	-	49,531
Park Bucks program	20	-	20
Debt Service	-	178,907	178,907
State police forfeiture	-	22,998	22,998
Federal police forfeiture	-	472,517	472,517
Building security	-	4,027	4,027
Court technology	-	62,240	62,240
Street maintenance tax	-	504,272	504,272
	<u>49,551</u>	<u>1,244,961</u>	<u>1,294,512</u>
Committed			
Natural or man-made disasters	800,000	-	800,000
Assigned			
Library construction	56,642	-	56,642
Unassigned	2,352,926	73,467	2,426,393
	<u>\$ 3,309,864</u>	<u>\$ 1,319,233</u>	<u>\$ 4,629,097</u>

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

City Council established a policy where by \$800,000 may only be spent for natural or man-made disasters. That amount is reported as committed fund balance.

NOTE J—CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE K—RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contribution amounts. During the past three years, no settlements have exceeded insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes disclosures required by the GASB but are not considered a part of the basic financial statements.

The budgetary comparison schedule of the General fund is presented as required supplementary information.

The schedule of funding progress for the Texas Municipal Retirement System is presented as required supplementary information.

City of Leon Valley, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011
With Comparative Totals for 2010

	Budget Amounts		2011	Variance With	2010
	Original	Final	Actual	Final Budget	Actual Amounts
REVENUES					
Property taxes	\$ 3,042,229	\$ 3,042,229	\$ 3,119,772	\$ 77,543	\$ 3,084,129
Sales taxes	1,660,963	1,660,963	1,750,031	89,068	1,719,478
Franchise fees	701,600	701,600	728,548	26,948	1,347,885
Licenses, permits, fees and fines	1,198,330	1,198,330	1,326,750	128,420	829,838
Grants	-	-	5,453	5,453	54,562
Other	251,484	251,484	6,271	(245,213)	7,069
Total revenues	6,854,606	6,854,606	6,936,825	82,219	7,042,961
EXPENDITURES					
Current:					
Administration					
Business office					
Personnel services	82,569	84,142	70,980	13,162	80,392
Supplies	10,500	10,500	10,775	(275)	11,704
Contracted services	101,996	101,996	91,085	10,911	90,557
Total business office	<u>195,065</u>	<u>196,638</u>	<u>172,840</u>	<u>23,798</u>	<u>182,653</u>
Finance and accounting					
Personnel services	131,735	134,359	134,535	(176)	140,679
Supplies	10,400	10,400	5,559	4,841	6,344
Contracted services	70,864	70,864	66,776	4,088	62,118
Total finance and accounting	<u>212,999</u>	<u>215,623</u>	<u>206,870</u>	<u>8,753</u>	<u>209,141</u>
Council and manager					
Personnel services	184,675	196,232	191,521	4,711	200,831
Supplies	17,825	17,825	11,692	6,133	11,699
Contracted services	159,688	243,633	209,584	34,049	270,849
Capital outlay	-	-	-	-	26,075
Total council and manager	<u>362,188</u>	<u>457,690</u>	<u>412,797</u>	<u>44,893</u>	<u>509,454</u>
Total administration	<u>770,252</u>	<u>869,951</u>	<u>792,507</u>	<u>77,444</u>	<u>901,248</u>
Public safety					
Law enforcement administration					
Personnel services	211,582	214,845	214,249	596	206,376
Supplies	1,940	1,940	1,535	405	1,368
Contracted services	31,318	31,318	31,487	(169)	28,910
Total law enforcement administration	<u>244,840</u>	<u>248,103</u>	<u>247,271</u>	<u>832</u>	<u>236,654</u>
Law enforcement patrol					
Personnel services	1,176,688	1,183,383	1,158,697	24,686	1,123,006
Supplies	64,775	64,775	72,582	(7,807)	61,198
Contracted services	14,312	14,312	8,755	5,557	2,833
Capital outlay	-	-	-	-	20,986
Total law enforcement patrol	<u>1,255,775</u>	<u>1,262,470</u>	<u>1,240,034</u>	<u>22,436</u>	<u>1,208,023</u>

City of Leon Valley, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011
With Comparative Totals for 2010

	Budget Amounts		2011	Variance With	2010
	Original	Final	Actual	Final Budget	Actual
Law enforcement communications					
Personnel services	262,253	266,185	263,564	2,621	252,706
Supplies	1,025	1,025	577	448	1,114
Contracted services	14,425	14,425	8,789	5,636	10,658
Total law enforcement communications	277,703	281,635	272,930	8,705	264,478
Law enforcement investigations					
Personnel services	277,409	278,847	276,192	2,655	267,274
Supplies	2,140	2,140	1,635	505	1,926
Contracted services	6,148	6,148	5,169	979	2,987
Total law enforcement investigations	285,697	287,135	282,996	4,139	272,187
Law enforcement narcotics					
Personnel services	67,938	68,316	70,410	(2,094)	65,432
Contracted services	136	136	107	29	112
Total law enforcement narcotics	68,074	68,452	70,517	(2,065)	65,544
Fire protection administration					
Personnel services	211,504	212,260	210,791	1,469	203,306
Supplies	4,940	4,940	4,420	520	3,940
Contracted services	34,763	34,763	35,534	(771)	35,589
Total fire protection administration	251,207	251,963	250,745	1,218	242,835
Fire protection operations					
Personnel services	1,608,789	1,618,245	1,531,532	86,713	1,585,314
Supplies	33,738	33,738	39,066	(5,328)	27,795
Contracted services	48,806	48,806	72,149	(23,343)	57,752
Capital outlay	-	-	2,338	(2,338)	1,035,760
Total fire protection operations	1,691,333	1,700,789	1,645,085	55,704	2,706,621
Emergency medical services					
Supplies	34,447	41,823	43,932	(2,109)	40,775
Contracted services	64,049	64,049	74,824	(10,775)	69,362
Capital outlay	-	-	-	-	31,002
Total emergency medical services	98,496	105,872	118,756	(12,884)	141,139
Total public safety	4,173,125	4,206,419	4,128,334	78,085	5,137,481
Public works					
Public works					
Personnel services	739,283	752,867	736,372	16,495	718,514
Supplies	164,800	164,800	158,446	6,354	142,772
Contracted services	255,770	255,770	142,818	112,952	168,936
Capital outlay	20,000	20,000	4,223	15,777	13,698
Total public works	1,179,853	1,193,437	1,041,859	151,578	1,043,920

City of Leon Valley, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011
With Comparative Totals for 2010

	Budget Amounts		2011	Variance With	2010
	Original	Final	Actual	Final Budget	Actual
Parks and recreation					
Personnel services	66,834	68,141	69,729	(1,588)	59,006
Supplies	26,000	26,000	18,608	7,392	10,909
Contracted services	19,500	19,500	14,577	4,923	12,688
Capital outlay	-	-	-	-	71,344
Total parks and recreation	112,334	113,641	102,914	10,727	153,947
Library					
Personnel services	186,100	190,015	184,968	5,047	178,557
Supplies	21,057	21,057	13,076	7,981	18,780
Contracted services	39,081	39,081	40,965	(1,884)	38,583
Capital outlay	20,000	20,000	20,849	(849)	30,407
Total library	266,238	270,153	259,858	10,295	266,327
Development activities					
Community development/events					
Personnel services	189,236	191,359	189,156	2,203	188,437
Supplies	39,200	39,200	20,439	18,761	34,349
Contracted services	152,200	152,200	148,585	3,615	171,964
Capital outlay	-	-	6,388	(6,388)	-
Total community development/events	380,636	382,759	364,568	18,191	394,750
Economic development					
Personnel services	110,106	110,818	108,527	2,291	94,166
Supplies	5,500	5,500	2,741	2,759	2,706
Contracted services	15,660	15,660	6,684	8,976	9,188
Total economic development	131,266	131,978	117,952	14,026	106,060
Total development activities	511,902	514,737	482,520	32,217	500,810
Total expenditures	7,013,704	7,168,338	6,807,992	360,346	8,003,733
Excess (deficiency) of revenues over (under) expenditures	(159,098)	(313,732)	128,833	442,565	(960,772)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	54,000
Transfers out	(18,000)	(18,000)	(18,000)	-	(18,000)
Total other financing sources (uses)	(18,000)	(18,000)	(18,000)	-	36,000
Net change in fund balance	(177,098)	(331,732)	110,833	442,565	(924,772)
Total fund balance-beginning of year	3,199,031	3,199,031	3,199,031	-	4,123,803
Total fund balance-end of year	\$ 3,021,933	\$ 2,867,299	\$ 3,309,864	\$ 442,565	\$ 3,199,031

City of Leon Valley, Texas
Required Supplementary Information
Schedule of Funding Progress for the Year Ended September 30, 2011

Texas Municipal Retirement System

Year	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) (A)/(B) Funding Ratio	(D) Unfunded Actuarial Accrued Liability (UAAL)	(E) Annual Covered payroll	(D)/(E) UAAL as a Percent of Covered Payroll
2008	\$ 14,208,942	\$ 20,681,163	68.70%	\$ 6,472,221	\$ 4,314,054	150.03%
2009	\$ 15,296,196	\$ 21,939,944	69.72%	\$ 6,643,748	\$ 4,366,614	152.15%
2010	\$ 25,902,789	\$ 30,487,236	84.96%	\$ 4,584,447	\$ 4,572,138	100.27%

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes the combining nonmajor individual fund statements which are not required by the GASB, nor a part of the basic financial statements.

FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues and expenditures that are legally restricted for a specific purpose.

Community Center

Accounts for hotel Occupancy Tax revenues and expenditures, funding mainly the Community and Conference Centers.

Grants Fund

Accounts for grant revenues received from other governments and the related expenditures.

Child Safety Fund

Accounts for the drug awareness and prevention program, school crossing guards, and other child safety programs.

State Police Forfeiture Fund

Accounts for revenues from seized assets and the allowed expenditure of that revenue.

Federal Police Forfeiture Fund

Accounts for revenues from seized assets in Federal cases and the allowed expenditure of that revenue.

Building Security Fund

Accounts for portion of municipal fines that are allocated to building security and the allowed expenditures.

Court Technology

Accounts for portion of municipal fines that are allocated to court technology and the allowed expenditures.

Street Maintenance Fund

Accounts for sales tax collections for street maintenance. This special tax was approved by voters in November 2007.

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources and the related disbursement for the retirement of long-term debt.

**City of Leon Valley, Texas
Combining Balance Sheets
Nonmajor Governmental Funds
September 30, 2011**

	Community Center	Grants	Child Safety	State Police Forfeiture
ASSETS				
Cash and cash equivalents	\$ 32,091	\$ 6,088	\$ 23,023	\$ 22,998
Accounts receivable-net of allowance for uncollectible:				
Property taxes	-	-	-	-
Special assessment	-	-	-	-
Other	23,445	-	880	-
Prepaid items	592	-	85	-
Due from other governments	28,172	-	-	-
Total assets	<u><u>\$ 84,300</u></u>	<u><u>\$ 6,088</u></u>	<u><u>\$ 23,988</u></u>	<u><u>\$ 22,998</u></u>
LIABILITIES				
Accounts payable	\$ 4,005	\$ -	\$ 99	\$ -
Accrued expenditures	201	-	12	-
Deposits payable	35,787	-	-	-
Deferred/unearned revenue	-	-	-	-
Total liabilities	<u><u>39,993</u></u>	<u><u>-</u></u>	<u><u>111</u></u>	<u><u>-</u></u>
FUND BALANCES				
Nonspendable	592	-	85	-
Restricted				22,998
Unassigned reported in special revenue funds	43,715	6,088	23,792	-
Total fund balances	<u><u>44,307</u></u>	<u><u>6,088</u></u>	<u><u>23,877</u></u>	<u><u>22,998</u></u>
Total liabilities and fund balances	<u><u>\$ 84,300</u></u>	<u><u>\$ 6,088</u></u>	<u><u>\$ 23,988</u></u>	<u><u>\$ 22,998</u></u>

The accompanying notes are an integral part of this statement.

Federal Police Forfeiture	Building Security	Court Technology	Street Maintenance Tax	Debt Service		Totals
				Debt Service	Linkwood	
\$ 476,328	\$ 4,160	\$ 62,321	\$ 426,740	\$ 178,611	\$ -	\$ 1,232,360
-	-	-	-	16,981	-	16,981
-	-	-	-	-	11,744	11,744
-	-	-	78,565	296	-	103,186
-	128	-	-	-	-	805
-	-	-	-	-	-	28,172
<u>\$ 476,328</u>	<u>\$ 4,288</u>	<u>\$ 62,321</u>	<u>\$ 505,305</u>	<u>\$ 195,888</u>	<u>\$ 11,744</u>	<u>\$ 1,393,248</u>
3,811	\$ 246	\$ 81	\$ 1,033	\$ -	\$ -	\$ 9,275
-	15	-	-	-	-	228
-	-	-	-	-	-	35,787
-	-	-	-	16,981	11,744	28,725
<u>3,811</u>	<u>261</u>	<u>81</u>	<u>1,033</u>	<u>16,981</u>	<u>11,744</u>	<u>74,015</u>
-	128	-	-	-	-	805
472,517	3,899	62,240	504,272	178,907	-	1,244,833
-	-	-	-	-	-	73,595
<u>472,517</u>	<u>4,027</u>	<u>62,240</u>	<u>504,272</u>	<u>178,907</u>	<u>-</u>	<u>1,319,233</u>
<u>\$ 476,328</u>	<u>\$ 4,288</u>	<u>\$ 62,321</u>	<u>\$ 505,305</u>	<u>\$ 195,888</u>	<u>\$ 11,744</u>	<u>\$ 1,393,248</u>

City of Leon Valley, Texas
 Statements of Revenues, Expenses, and
 Combining Changes in Net Assets Nonmajor Governmental Funds
 For the Year Ended September 30, 2011

	Community Center	Grants	Child Safety	State Police Forfeiture
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	74,287	-	-	-
Licenses and fees	-	-	-	-
Fines and forfeitures	-	-	14,718	-
Grants	81,683	2,732	-	-
Rent	68,681	-	-	-
Interest	-	-	-	-
Miscellaneous	46,415	-	-	9,731
Total revenues	<u>271,066</u>	<u>2,732</u>	<u>14,718</u>	<u>9,731</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Public safety	-	4,448	27,527	-
Public works	-	-	-	-
Community development	128,230	-	-	-
Capital outlay	118,098	-	-	-
Bond issue costs	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal agent fees and bond issue costs	-	-	-	-
Total expenditures	<u>246,328</u>	<u>4,448</u>	<u>27,527</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	24,738	(1,716)	(12,809)	9,731
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Bond refunding	-	-	-	-
Transfers in	-	-	15,000	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Net change in fund balance	<u>24,738</u>	<u>(1,716)</u>	<u>2,191</u>	<u>9,731</u>
Total fund balance-beginning of year	19,569	7,804	21,686	13,267
Total fund balance-end of year	<u>\$ 44,307</u>	<u>\$ 6,088</u>	<u>\$ 23,877</u>	<u>\$ 22,998</u>

The accompanying notes are an integral part of this statement.

Federal Police Forfeiture	Building Security	Court Technology	Street Maintenance Tax	Debt Service		Totals
				Debt Service	Linkwood	
-	\$ -	\$ -	\$ -	\$ 426,259	\$ -	\$ 426,259
-	-	-	429,029	-	-	503,316
-	-	-	-	-	-	-
41,418	18,542	24,716	-	-	-	99,394
-	-	-	-	-	-	84,415
-	-	-	-	-	-	68,681
527	-	-	374	-	-	901
-	-	-	-	-	-	56,146
<u>41,945</u>	<u>18,542</u>	<u>24,716</u>	<u>429,403</u>	<u>426,259</u>	<u>-</u>	<u>1,239,112</u>
-	-	24,752	-	-	-	24,752
46,973	20,850	-	-	-	-	99,798
-	-	-	500,431	-	-	500,431
-	-	-	-	-	-	128,230
91,576	-	-	-	-	-	209,674
-	-	-	-	300,000	-	300,000
-	-	-	-	112,278	-	112,278
-	-	-	-	1,000	-	1,000
<u>138,549</u>	<u>20,850</u>	<u>24,752</u>	<u>500,431</u>	<u>413,278</u>	<u>-</u>	<u>1,376,163</u>
(96,604)	(2,308)	(36)	(71,028)	12,981	-	(137,051)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,000	-	-	-	-	18,000
-	3,000	-	-	-	-	18,000
<u>(96,604)</u>	<u>692</u>	<u>(36)</u>	<u>(71,028)</u>	<u>12,981</u>	<u>-</u>	<u>(119,051)</u>
569,121	3,335	62,276	575,300	165,926	-	1,438,284
<u>472,517</u>	<u>\$ 4,027</u>	<u>\$ 62,240</u>	<u>\$ 504,272</u>	<u>\$ 178,907</u>	<u>\$ -</u>	<u>\$ 1,319,233</u>

City of Leon Valley, Texas
Community Center Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	Budget Amounts		2011	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Hotel/motel taxes	\$ 50,000	\$ 50,000	\$ 74,287	\$ 24,287
Rent	88,000	88,000	68,681	(19,319)
Grant	-	25,000	81,683	56,683
Miscellaneous	-	-	46,415	46,415
Total revenues	<u>138,000</u>	<u>163,000</u>	<u>271,066</u>	<u>108,066</u>
EXPENDITURES				
Current:				
Community development	178,120	154,370	128,230	26,140
Capital outlay	-	153,098	118,098	35,000
Total expenditures	<u>178,120</u>	<u>307,468</u>	<u>246,328</u>	<u>61,140</u>
Net change in fund balance	<u>(40,120)</u>	<u>(144,468)</u>	<u>24,738</u>	<u>169,206</u>
Total fund balance-beginning of year	19,569	19,569	19,569	-
Total fund balance-end of year	<u>\$ (20,551)</u>	<u>\$ (124,899)</u>	<u>\$ 44,307</u>	<u>\$ 169,206</u>

City of Leon Valley, Texas
Grants Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	Budget Amounts		2011	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Grants	\$ 2,772	\$ 2,772	\$ 2,732	\$ (40)
Total revenues	<u>2,772</u>	<u>2,772</u>	<u>2,732</u>	<u>(40)</u>
EXPENDITURES				
Current:				
Public safety	<u>4,377</u>	<u>4,377</u>	<u>4,448</u>	<u>(71)</u>
Total expenditures	<u>4,377</u>	<u>4,377</u>	<u>4,448</u>	<u>(71)</u>
Net change in fund balance	<u>(1,605)</u>	<u>(1,605)</u>	<u>(1,716)</u>	<u>(111)</u>
Total fund balance-beginning of year	<u>7,804</u>	<u>7,804</u>	<u>7,804</u>	<u>-</u>
Total fund balance-end of year	<u>\$ 6,199</u>	<u>\$ 6,199</u>	<u>\$ 6,088</u>	<u>\$ (111)</u>

City of Leon Valley, Texas
Child Safety Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	Budget Amounts		2011	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and fees	\$ 9,500	\$ 9,500	\$ 14,718	\$ 5,218
Total revenues	<u>9,500</u>	<u>9,500</u>	<u>14,718</u>	<u>5,218</u>
EXPENDITURES				
Current:				
Public safety	<u>33,161</u>	<u>33,236</u>	<u>27,527</u>	<u>5,709</u>
Total expenditures	<u>33,161</u>	<u>33,236</u>	<u>27,527</u>	<u>5,709</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>15,000</u>	<u>18,000</u>	<u>15,000</u>	<u>3,000</u>
Total other financing sources (uses)	<u>15,000</u>	<u>18,000</u>	<u>15,000</u>	<u>3,000</u>
Net change in fund balance	(8,661)	(5,736)	2,191	7,927
Total fund balance-beginning of year	<u>21,686</u>	<u>21,686</u>	<u>21,686</u>	<u>-</u>
Total fund balance-end of year	<u>\$ 13,025</u>	<u>\$ 15,950</u>	<u>\$ 23,877</u>	<u>\$ 7,927</u>

City of Leon Valley, Texas
Federal Police Forfeiture Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	<u>Budget Amounts</u>		<u>2011</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 41,418	\$ 41,418
Interest			527	527
Total revenues	<u>-</u>	<u>-</u>	<u>41,945</u>	<u>41,945</u>
EXPENDITURES				
Current:				
Public safety	48,000	58,526	46,973	11,553
Capital outlay	87,000	90,120	91,576	(1,456)
Total expenditures	<u>135,000</u>	<u>148,646</u>	<u>138,549</u>	<u>10,097</u>
 Net change in fund balance	 (135,000)	 (148,646)	 (96,604)	 31,848
 Total fund balance-beginning of year	 569,121	 569,121	 569,121	 -
Total fund balance-end of year	<u><u>\$ 434,121</u></u>	<u><u>\$ 420,475</u></u>	<u><u>\$ 472,517</u></u>	<u><u>\$ 52,042</u></u>

City of Leon Valley, Texas
State Police Forfeiture Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	Budget Amounts		2011	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 9,731	\$ 9,731
Total revenues	<u>-</u>	<u>-</u>	<u>9,731</u>	<u>9,731</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	9,731	9,731
Total fund balance-beginning of year	13,267	13,267	13,267	-
Total fund balance-end of year	<u>\$ 13,267</u>	<u>\$ 13,267</u>	<u>\$ 22,998</u>	<u>\$ 9,731</u>

City of Leon Valley, Texas
 Building Security Fund
 Schedule of Revenues, Expenses, and
 Changes in Net Assets - Budget (GAAP Basis) and Actual
 For the Year Ended September 30, 2011

	<u>Budget Amounts</u>		<u>2011</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Fines and forfeitures	\$ 18,500	\$ 18,500	\$ 18,542	\$ 42
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>18,542</u>	<u>42</u>
EXPENDITURES				
Current:				
Public safety	<u>21,651</u>	<u>21,765</u>	<u>20,850</u>	<u>915</u>
Total expenditures	<u>21,651</u>	<u>21,765</u>	<u>20,850</u>	<u>915</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Net change in fund balance	<u>(3,151)</u>	<u>(3,265)</u>	<u>692</u>	<u>3,957</u>
Total fund balance-beginning of year	<u>3,335</u>	<u>3,335</u>	<u>3,335</u>	<u>-</u>
Total fund balance-end of year	<u>\$ 184</u>	<u>\$ 70</u>	<u>\$ 4,027</u>	<u>\$ 3,957</u>

City of Leon Valley, Texas
Court Technology Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	Budget Amounts		2011	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 24,716	\$ (284)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>24,716</u>	<u>(284)</u>
EXPENDITURES				
Current:				
Administration	16,500	16,500	24,752	(8,252)
Capital outlay	40,000	40,000	-	40,000
Total expenditures	<u>56,500</u>	<u>56,500</u>	<u>24,752</u>	<u>31,748</u>
Net change in fund balance	<u>(31,500)</u>	<u>(31,500)</u>	<u>(36)</u>	<u>31,464</u>
Total fund balance-beginning of year	62,276	62,276	62,276	-
Total fund balance-end of year	<u>\$ 30,776</u>	<u>\$ 30,776</u>	<u>\$ 62,240</u>	<u>\$ 31,464</u>

City of Leon Valley, Texas
Street Maintenance Tax Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	Budget Amounts		2011	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Sales taxes	\$ 403,343	\$ 403,343	\$ 429,029	\$ 25,686
Interest	-	-	374	374
Total revenues	<u>403,343</u>	<u>403,343</u>	<u>429,403</u>	<u>26,060</u>
EXPENDITURES				
Capital outlay	<u>448,089</u>	<u>1,023,389</u>	<u>500,431</u>	<u>522,958</u>
Total expenditures	<u>448,089</u>	<u>1,023,389</u>	<u>500,431</u>	<u>522,958</u>
Net change in fund balance	<u>(44,746)</u>	<u>(620,046)</u>	<u>(71,028)</u>	<u>549,018</u>
Total fund balance-beginning of year	575,300	575,300	575,300	-
Total fund balance-end of year	<u>\$ 530,554</u>	<u>\$ (44,746)</u>	<u>\$ 504,272</u>	<u>\$ 549,018</u>

City of Leon Valley, Texas
Debt Service Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2011

	Budget Amounts		2011	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 414,549	\$ 414,549	\$ 421,546	\$ 6,997
Interest income	-	-	4,713	4,713
Total revenues	<u>414,549</u>	<u>414,549</u>	<u>426,259</u>	<u>11,710</u>
EXPENDITURES				
Debt service:				
Principal	300,000	300,000	300,000	-
Interest	112,278	112,278	112,278	-
Fiscal agent fees	2,000	2,000	1,000	1,000
Total expenditures	<u>414,278</u>	<u>414,278</u>	<u>413,278</u>	<u>1,000</u>
Net change in fund balance	271	271	12,981	12,710
Total fund balance-beginning of year	165,926	165,926	165,926	-
Total fund balance-end of year	<u>\$ 166,197</u>	<u>\$ 166,197</u>	<u>\$ 178,907</u>	<u>\$ 12,710</u>

STATISTICAL SECTION

Table of Contents and Explanations

This part of the City of Leon Valley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health.

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CITY OF LEON VALLEY
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(unaudited)

	Fiscal Year		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 5,740,687	\$ 5,926,527	\$ 6,147,970
Restricted	201,168	264,984	193,145
Unrestricted	2,904,940	3,644,114	3,707,802
Total governmental activities net assets	<u>\$ 8,846,795</u>	<u>\$ 9,835,625</u>	<u>\$ 10,048,917</u>
Business-type activities			
Invested in capital assets-net of related debt	\$ 3,783,149	\$ 3,645,700	\$ 3,635,029
Restricted	296,316	183,614	323,508
Unrestricted	1,175,101	1,699,540	1,982,058
Total business-type activities net assets	<u>\$ 5,254,566</u>	<u>\$ 5,528,854</u>	<u>\$ 5,940,595</u>
Primary government			
Invested in capital assets, net of related debt	\$ 9,523,836	\$ 9,572,227	\$ 9,782,999
Restricted	497,484	448,598	516,653
Unrestricted	4,080,041	5,343,654	5,689,860
Total primary government net assets	<u>\$ 14,101,361</u>	<u>\$ 15,364,479</u>	<u>\$ 15,989,512</u>

Note: For the fiscal year ended September 30, 2004, the City implemented the new financial reporting requirements of GASB Statements Nos. 33 and 34. For prior fiscal years the City did not restate the financial statements.

TABLE 1

<u>2010</u>	<u>2011</u>
\$ 6,213,549	\$ 5,639,798
132,581	101,101
4,180,108	4,686,001
<u>\$ 10,526,238</u>	<u>\$ 10,426,900</u>
\$ 3,897,305	\$ 4,138,854
339,733	568,056
2,147,223	2,137,671
<u>\$ 6,384,261</u>	<u>\$ 6,844,581</u>
\$ 10,110,854	\$ 9,778,652
472,314	669,157
6,327,331	6,823,672
<u>\$ 16,910,499</u>	<u>\$ 17,271,481</u>

CITY OF LEON VALLEY, TEXAS
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses					
Governmental activities:					
Administrative	\$ 765,492	\$ 779,729	\$ 805,391	\$ 940,156	\$ 849,230
Public Safety	4,231,521	4,193,145	4,439,516	4,525,947	4,502,741
Public Works	1,299,599	1,163,379	1,535,333	1,624,573	1,715,642
Parks and Recreation	86,613	128,203	100,777	144,742	135,728
Library	251,388	249,227	281,725	274,701	264,260
Community Development	604,406	583,206	680,352	664,712	666,326
Capital outlay	-	-	-	-	-
Interest on long-term debt	165,231	154,669	187,862	122,184	117,639
Total governmental activities expenses	<u>7,404,250</u>	<u>7,251,558</u>	<u>8,030,956</u>	<u>8,297,015</u>	<u>8,251,566</u>
Business-type activities:					
Water and Sewer	2,211,014	2,367,414	2,357,800	2,631,544	2,796,812
Total business-type activities	<u>2,211,014</u>	<u>2,367,414</u>	<u>2,357,800</u>	<u>2,631,544</u>	<u>2,796,812</u>
Total primary government expenses	<u>\$ 9,615,264</u>	<u>\$ 9,618,972</u>	<u>\$ 10,388,756</u>	<u>\$ 10,928,559</u>	<u>\$ 11,048,378</u>
Program Revenues					
Governmental activities:					
Charges for service:					
Administration	\$ 206,565	\$ 171,923	\$ 333,606	\$ 330,541	\$ 288,791
Public Safety	1,281,684	1,566,669	1,265,691	1,589,362	1,082,149
Parks and Recreation	11,110	12,375	12,145	15,010	16,790
Library	2,911	2,936	2,358	1,987	3,102
Community Development	127,078	112,260	133,177	97,399	118,723
Operating grants and contributions	70,218	-	127,151	9,953	49,602
Capital grants and contributions	552,430	-	59,409	218,790	81,683
Total governmental activities program revenues	<u>2,251,996</u>	<u>1,866,163</u>	<u>1,933,537</u>	<u>2,263,042</u>	<u>1,640,840</u>
Business-type activities:					
Charges for service:					
Water and Sewer	2,227,540	2,508,220	2,638,172	2,840,701	3,115,598
Total business-type activities program revenues	<u>2,227,540</u>	<u>2,508,220</u>	<u>2,638,172</u>	<u>2,840,701</u>	<u>3,115,598</u>
Total primary government program revenues	<u>\$ 4,479,536</u>	<u>\$ 4,374,383</u>	<u>\$ 4,571,709</u>	<u>\$ 5,103,743</u>	<u>\$ 4,756,438</u>

TABLE 2

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expenses) Revenue					
Governmental activities	\$ (4,997,471)	\$ (5,152,254)	\$ (5,298,841)	\$ (6,033,973)	\$ (6,610,726)
Business-type activities	184,602	16,526	140,806	209,157	318,786
Total primary government net expenses	<u>\$ (4,812,869)</u>	<u>\$ (5,135,728)</u>	<u>\$ (5,158,035)</u>	<u>\$ (5,824,816)</u>	<u>\$ (6,291,940)</u>
Governmental Revenues and Other Charges in Net Assets					
Governmental activities:					
Taxes					
Property Taxes	\$ 2,922,878	\$ 3,112,736	\$ 3,427,337	\$ 3,552,821	\$ 3,522,321
Franchise Taxes	1,602,192	607,967	639,332	677,001	728,548
Sales Taxes	596,851	1,781,223	1,927,881	2,207,901	2,253,347
Interest and investment earnings	152,920	204,546	128,903	8,546	7,172
Miscellaneous	102,648	74,513	164,229	11,025	-
Transfers	-	-	-	54,000	-
Total governmental activities	<u>5,377,489</u>	<u>5,780,985</u>	<u>6,287,682</u>	<u>6,511,294</u>	<u>6,511,388</u>
Business-type activities:					
Interest and Investment earnings	42,340	73,948	44,841	4,444	3,827
Miscellaneous	12,582	15,634	53,137	44,575	56,453
Impact Fees	154,614	89,901	35,504	239,490	81,254
Transfers	-	-	-	(54,000)	-
Total business-type activities	<u>209,536</u>	<u>179,483</u>	<u>133,482</u>	<u>234,509</u>	<u>141,534</u>
Total primary government	<u>\$ 5,587,025</u>	<u>\$ 5,960,468</u>	<u>\$ 6,421,164</u>	<u>\$ 6,745,803</u>	<u>\$ 6,652,922</u>
Changes In Net Assets					
Government activities	\$ 380,018	\$ 628,731	\$ 988,841	\$ 477,321	\$ (99,338)
Business-type activities	394,138	196,009	274,288	443,666	460,320
Total primary government	<u>\$ 774,156</u>	<u>\$ 824,740</u>	<u>\$ 1,263,129</u>	<u>\$ 920,987</u>	<u>\$ 360,982</u>

Note: For the fiscal year ended September 30, 2004, the City implemented the new financial reporting requirements of GASB Statements Nos. 33 and 34. For prior fiscal years the City did not restate financial statements.

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(unaudited)

	<u>Fiscal Year</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 42,148	\$ 42,148	\$ 57,230	\$ 101,374	\$ 100,730
Unreserved	\$1,681,126	\$1,681,126	2,349,579	2,490,428	2,544,748
Non-spendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total general fund	<u>\$1,723,274</u>	<u>\$1,746,196</u>	<u>\$2,406,809</u>	<u>\$ 2,591,802</u>	<u>\$ 2,645,478</u>
All other Governmental Funds					
Reserved	\$ 138,352	\$ 159,087	\$ 627	\$ 90,435	\$ 81,739
Unreserved, reported in:					
Special revenue funds	378,204	282,548	543,198	318,269	509,282
Capital project funds	630,809	508,445	240,131	43,013	961
Non-spendable					
Restricted					
Unassigned					
Total all other governmental funds	<u>\$ 1,147,365</u>	<u>\$ 950,080</u>	<u>\$ 783,956</u>	<u>\$ 451,717</u>	<u>\$ 591,982</u>

In 2011 the City implemented GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The information for previous years has not been restated.

TABLE 3

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 99,626	\$ 163,442	\$ 192,916	\$ 132,581	\$ -
2,557,994	2,713,567	3,930,887	3,066,450	-
				50,745
				49,551
				800,000
				56,642
				2,352,926
<u>\$ 2,657,620</u>	<u>\$ 2,877,009</u>	<u>\$ 4,123,803</u>	<u>\$ 3,199,031</u>	<u>\$ 3,309,864</u>
\$ 101,542	\$ 131,748	\$ 154,429	\$ 165,926	\$ -
707,371	1,251,752	1,047,443	1,272,358	-
-	-	-	-	-
				805
				1,245,121
				73,307
<u>\$ 808,913</u>	<u>\$ 1,383,500</u>	<u>\$ 1,201,872</u>	<u>\$ 1,438,284</u>	<u>\$ 1,319,233</u>

CITY OF LEON VALLEY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(unaudited)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Property taxes	\$ 2,314,916	\$ 2,512,157	\$ 2,582,903	\$ 2,664,930	\$ 2,923,544
Nonproperty taxes	2,842,983	2,474,362	2,420,562	2,351,336	2,295,549
Grants/Intergovernmental	271,280	219,752	172,098	229,720	31,936
Licenses, permits, fees and fines	1,286,534	1,324,186	1,566,754	1,462,806	1,838,194
Other	388,434	135,423	135,290	248,002	355,136
Total Revenues	<u>7,104,147</u>	<u>6,665,880</u>	<u>6,877,607</u>	<u>\$ 6,956,794</u>	<u>\$ 7,444,359</u>
Expenditures					
Administrative	980,298	905,198	969,375	1,138,676	1,163,175
Public Safety	3,287,299	3,520,998	3,475,837	3,560,463	3,760,073
Public Works	1,141,626	1,037,100	1,044,722	1,287,075	1,276,101
Parks and Recreation	64,027	65,172	92,169	103,365	107,713
Library	190,962	193,662	232,888	238,836	239,354
Community Development	136,069	100,881	95,685	91,199	92,582
Subtotal	<u>5,800,281</u>	<u>5,823,011</u>	<u>5,910,676</u>	<u>6,419,614</u>	<u>6,638,998</u>
Capital Outlay*	822,758	594,192	113,984	340,782	179,678
Debt Service:					
Principal	205,000	220,000	235,000	250,000	260,000
Interest and fiscal charges	228,530	218,940	208,776	198,242	198,990
Total Expenditures	<u>7,056,569</u>	<u>6,856,143</u>	<u>6,468,436</u>	<u>7,208,638</u>	<u>7,277,666</u>
Excess of revenues over (under) Expenditures	47,578	(190,263)	409,171	(251,844)	166,693
Other Financing Sources (Uses)					
Proceeds from sale of assets	-	-	-	-	-
Operating transfers in	97,673	123,130	383,839	223,900	13,000
Operating transfers (out)	(81,773)	(107,230)	(367,939)	(208,000)	(13,000)
Proceeds Tax Notes	-	-	-	-	475,000
Proceeds from CO's	-	-	-	-	-
Proceeds from Refunding Bonds	-	-	-	-	-
Payments to Refunding Bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Escrow Agent	-	-	-	-	(447,752)
Total Other Financing Sources (Uses)	<u>15,900</u>	<u>15,900</u>	<u>15,900</u>	<u>15,900</u>	<u>27,248</u>
Net change in fund balance	<u>63,478</u>	<u>(174,363)</u>	<u>425,071</u>	<u>(235,944)</u>	<u>193,941</u>
Debt Service as a percentage of noncapital expenditures	7.47%	7.54%	7.51%	6.98%	6.91%

TABLE 4

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,134,228	\$ 3,432,977	\$ 3,552,049	\$ 3,505,728	\$ 3,546,031
1,781,223	1,927,881	2,045,615	2,207,900	2,253,347
1,151,487	1,302,881	1,395,492	228,508	89,868
1,085,494	1,277,505	992,486	2,642,310	2,154,692
985,829	298,795	226,942	88,796	131,999
<u>\$ 8,138,261</u>	<u>\$ 8,240,039</u>	<u>\$ 8,212,584</u>	<u>\$ 8,673,242</u>	<u>\$ 8,175,937</u>
712,894	739,653	706,874	919,564	817,259
4,082,514	4,113,988	4,142,609	5,246,693	4,228,132
1,235,456	1,092,333	1,427,627	1,446,744	1,542,290
109,259	101,383	111,614	153,947	102,914
233,607	241,305	256,967	266,327	259,858
579,800	554,418	622,721	629,371	610,750
6,953,530	6,843,080	7,268,412	8,662,646	7,561,203
522,089	177,273	173,202	337,443	209,674
265,000	275,000	580,000	265,000	300,000
168,569	156,710	230,451	150,513	113,278
<u>7,909,188</u>	<u>7,452,063</u>	<u>8,252,065</u>	<u>9,415,602</u>	<u>8,184,155</u>
229,073	787,976	(39,481)	(742,360)	(8,218)
-	6,000	10,360	-	-
18,000	318,000	10,000	72,000	18,000
(18,000)	(318,000)	(10,000)	(18,000)	(18,000)
-	-	-	-	-
-	-	1,060,000	-	-
-	-	2,575,000	-	-
-	-	(2,585,000)	-	-
-	-	44,287	-	-
-	-	-	-	-
-	6,000	1,104,647	54,000	-
<u>229,073</u>	<u>793,976</u>	<u>1,065,166</u>	<u>(688,360)</u>	<u>(8,218)</u>
6.04%	6.13%	8.53%	5.19%	5.17%

CITY OF LEON VALLEY, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 5

<u>Fiscal</u> <u>Year</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Occupancy (1)</u>	<u>Franchise</u>	<u>Total</u>
2002	2,314,916	2,141,708	210,056	491,219	5,157,899
2003	2,512,157	1,799,621	125,490	549,251	4,986,519
2004	2,582,902	1,788,803	97,288	534,471	5,003,464
2005	2,664,930	1,713,683	85,655	551,998	5,016,266
2006	2,923,544	1,602,192	96,507	596,851	5,219,093
2007	3,134,228	1,781,223	98,973	607,967	5,622,391
2008	3,432,977	1,927,881	92,357	639,332	6,092,547
2009	3,552,048	1,979,928	65,688	656,329	6,253,993
2010	3,505,728	2,141,199	66,701	677,001	6,390,629
2011	3,546,031	2,253,347	74,287	728,548	6,602,213

(1) Occupancy tax revenues have decreased due to the conversion of one hotel to apartments in 2004.

CITY OF LEON VALLEY
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(unaudited)

TABLE 6

<u>Fiscal Year Ended September 30</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2002	285,718,305	242,343,135	1,991,198	35,923,764	494,128,874	0.468780
2003	300,217,136	235,620,511	2,581,682	37,627,332	500,791,997	0.499600
2004	312,279,955	244,242,621	2,467,634	39,010,640	519,979,570	0.502700
2005	314,184,627	237,061,366	2,211,035	40,898,560	512,558,468	0.517400
2006	334,283,756	246,833,519	1,965,230	40,042,855	543,039,650	0.537400
2007	380,457,461	252,192,158	1,774,770	53,686,457	580,737,932	0.537400
2008	436,832,864	272,798,655	4,728,530	67,753,134	646,606,915	0.527400
2009	454,788,574	281,431,232	5,600,760	66,158,755	675,661,811	0.527400
2010	468,647,503	281,076,061	5,246,600	62,354,128	692,616,036	0.527400
2011	456,646,017	280,720,343	5,025,705	66,555,963	675,836,102	0.527400

Source: Bexar Appraisal District.

Note: Property is assessed at the actual value; therefore the assessed values are equal to actual values.

Tax rates are per \$100 of assessed value.

CITY OF LEON VALLEY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(unaudited)

TABLE 7

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>	
	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Direct</u>	<u>School District</u>	<u>Bexar County</u>
2002	0.396630	0.072150	0.468780	1.737500	0.336856
2003	0.427600	0.072000	0.499600	1.762500	0.333671
2004	0.430700	0.072000	0.502700	1.762500	0.333671
2005	0.439834	0.077566	0.517400	1.762500	0.331190
2006	0.459560	0.077840	0.537400	1.775000	0.331190
2007	0.459560	0.077840	0.537400	1.592500	0.326866
2008	0.456560	0.070840	0.527400	1.262500	0.326866
2009	0.461560	0.065840	0.527400	1.302500	0.326866
2010	0.464029	0.063371	0.527400	1.337500	0.326866
2011	0.464029	0.063371	0.527400	1.365500	0.326866

Source: Information furnished by respective tax assessor.

**CITY OF LEON VALLEY, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT AND NINE YEARS AGO**
(unaudited)

TABLE 8

<u>Taxpayer</u>	2011			2002		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
H.E.B. Grocery	\$ 22,000,000	1	3.25%	\$ 18,386,190	3	3.72%
Vista Del Rey	13,500,000	2	2.00%	8,839,740	5	1.79%
Ancira-Winton Chevrolet	13,231,455	3	1.96%	22,140,660	1	4.48%
Stonewater Tower West	13,192,000	4	1.95%	-		
Barcelona Lofts	12,188,175	5	1.80%	-		
Leors Holdings	11,475,930	6	1.70%	-		
VR Shadow Valley Holdings	9,000,100	7	1.33%	-		
Southwestern Bell	8,195,780	8	1.21%	19,200,960	2	3.88%
SA West Loop II Investors	5,500,000	9	0.81%			
Loen Valley Associates	5,000,000	10	0.74%	-		
CC Gunn	-		-	7,571,210	7	1.56%
SCIC San Antonio	-		-	7,700,000	6	1.56%
Mill Place	-		-	6,385,000	8	1.29%
Puget of Texas	-		-	6,287,960	9	1.27%
E.W. Richardson	-		-	11,419,880	4	2.31%
Merrimas Associates	-		-	6,155,250	10	1.25%
Total	<u><u>\$ 113,283,440</u></u>		<u><u>16.76%</u></u>	<u><u>\$ 114,086,850</u></u>		<u><u>23.08%</u></u>

Source: Bexar County Appraisal District.

**CITY OF LEON VALLEY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**
(unaudited)

TABLE 9

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2,316,515	2,286,098	98.69%	19,118	2,305,216	99.51%
2003	2,632,578	2,471,586	93.88%	13,665	2,485,251	94.40%
2004	2,582,499	2,547,413	98.64%	17,094	2,564,507	99.30%
2005	2,668,164	2,609,185	97.79%	18,908	2,628,093	98.50%
2006	2,918,741	2,877,326	98.58%	22,548	2,899,874	99.35%
2007	3,121,053	3,081,888	98.75%	28,636	3,110,525	99.66%
2008	3,411,529	3,374,003	98.90%	13,805	3,387,808	99.30%
2009	3,563,440	3,364,408	94.41%	27,257	3,391,665	95.18%
2010	3,570,525	3,450,690	96.64%	26,283	3,476,973	97.38%
2011	3,485,988	3,437,057	98.60%	70,192	3,507,249	100.61%

Source: Bexar County Tax Assessor Collector (TC168) and City of Leon Valley Finance Department.

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CITY OF LEON VALLEY, TEXAS
WATER SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS
(unaudited)

<u>Type of Customer</u>	<u>Fiscal Year</u>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential	N/A	176,751,891	164,301,622	177,750,433	225,793,960	156,780,956
Commercial	N/A	136,561,805	131,347,112	133,164,020	141,720,115	124,891,408
Total	N/A	313,313,696	295,648,734	310,668,359	367,514,075	281,672,364
Total direct rate per 1,000 gallons	\$0.83	\$0.85	\$0.85	\$0.88	\$0.91	\$0.91

Source: City of Leon Valley Water Department

TABLE 10

Fiscal Year			
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
208,492,994	215,785,825	178,416,148	228,768,000
144,510,811	136,065,390	129,071,600	133,301,040
353,003,805	351,851,215	307,487,748	362,069,040
\$0.93	\$0.96	\$0.99	\$1.02

**CITY OF LEON VALLEY, TEXAS
WATER AND SEWER RATES
LAST TEN FISCAL YEARS**
(unaudited)

TABLE 11

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate Per 1,000 Gallons	Monthly Base Rate	Rate Per 1,000 Gallons
2002	6.40	0.83	9.00	2.78
2003	6.40	0.83	9.00	2.78
2004	7.40	0.85	9.75	3.21
2005	7.62	0.88	11.03	3.94
2006	7.62	0.91	11.03	3.94
2007	7.85	0.91	11.36	4.06
2008	8.08	0.93	11.70	4.18
2009	8.32	0.96	12.05	4.31
2010	8.57	0.99	12.41	4.43
2011	8.83	1.02	12.78	4.57

Notes: Rates are based on 5/8" meter, which is the standard household meter size.

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CITY OF LEON VALLEY, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Governmental Activities					Business-Type Activity	
	General Obligation Bonds	Private Property Finance Contracts	Certificates of Obligation	Tax Notes	Capital Leases	Revenue Bonds	Certificates of Obligation
2002	\$ 3,970,000	\$ -	\$ -	\$ 665,000	\$ 92,224	\$ 380,000	\$ -
2003	3,795,000	-	-	620,000	63,853	310,000	-
2004	3,615,000	-	-	565,000	33,174	235,000	-
2005	3,425,000	-	-	505,000	-	155,000	-
2006	3,705,000	-	-	-	-	-	-
2007	3,440,000	-	-	-	-	-	-
2008	3,165,000	-	-	-	-	-	-
2009	2,575,000	1,060,000	-	-	-	-	-
2010	2,340,000	1,030,000	-	-	-	-	-
2011	2,080,000	990,000	-	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population and personal income data can be found in Table 16.

TABLE 12

<u>Total Primary Government</u>	<u>Percentage of Personal Income *</u>	<u>Per Capita*</u>
\$ 5,107,224	2.54%	\$ 553
4,788,853	2.38%	518
4,448,174	2.21%	481
4,085,000	2.03%	442
3,705,000	1.84%	401
3,440,000	1.71%	372
3,165,000	1.58%	343
3,635,000	1.81%	393
3,370,000	1.68%	365
3,070,000	1.12%	279

CITY OF LEON VALLEY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)

TABLE 13

General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Private Property Finance Contracts	Total	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
2002	\$ 3,970,000	\$ -	\$ 3,970,000	494,128,874	0.80%	\$ 430
2003	3,795,000	-	3,795,000	500,791,997	0.76%	411
2004	3,615,000	-	3,615,000	519,979,570	0.70%	391
2005	3,425,000	-	3,425,000	512,558,468	0.67%	371
2006	3,705,000	-	3,705,000	543,039,650	0.68%	401
2007	3,440,000	-	3,440,000	580,737,932	0.59%	372
2008	3,165,000	-	3,165,000	646,606,915	0.49%	343
2009	2,575,000	1,060,000	3,635,000	675,661,811	0.54%	393
2010	2,340,000	1,030,000	3,370,000	692,616,036	0.49%	365
2011	2,080,000	990,000	3,070,000	675,836,102	0.45%	302

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Population data can be found in Table 16.

CITY OF LEON VALLEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
LAST TEN FISCAL YEARS
(unaudited)

TABLE 14

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Alamo CCD	\$ 523,628,258	0.66%	\$ 3,455,947
Bexar County	511,188,144	0.66%	3,373,842
Bexar County Hosp Dist	744,835,000	0.66%	4,915,911
Northside Independent School District	1,715,911,404	1.85%	31,744,361
San Antonio RA	34,265,000	0.57%	195,311
Subtotal, overlapping debt			\$ 43,685,372
Leon Valley Direct Debt			3,070,000
Total direct and overlapping debt			<u>\$ 46,755,372</u>

Source: Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses on Leon Valley. This process recognizes that, when considering Leon Valley's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within Leon Valley's boundaries and divided it by the county's total taxable assessed value.

CITY OF LEON VALLEY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	675,836,102
*Debt limit (10% of assessed value)	67,583,610
Bonds and certificates of obligation	3,070,000
Less: amount set aside for repayment of general obligation debt	<u>(178,904)</u>
Total net debt applicable to limit	<u>2,891,096</u>
Economic debt margin	<u><u>\$64,692,514</u></u>

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 49,412,887	\$ 50,079,200	\$ 51,997,957	\$ 51,255,847
Total net debt applicable to limit	<u>4,535,473</u>	<u>4,302,629</u>	<u>4,090,301</u>	<u>3,338,646</u>
Legal debt margin	<u><u>\$44,877,414</u></u>	<u><u>\$45,776,571</u></u>	<u><u>\$47,907,656</u></u>	<u><u>\$47,917,201</u></u>
Total net debt applicable to the limit as a percentage of debt limit	9.18%	8.59%	7.87%	6.51%

* Texas statutes do not prescribe a debt limit: However, by custom a practical debt limit of 10% of the assessed valuation is used.

TABLE 15

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 54,303,965	\$ 58,073,793	\$ 64,660,692	\$ 67,561,181	\$ 69,261,604	\$ 67,583,610
3,840,998	3,338,457	3,063,457	3,480,571	3,200,964	3,191,096
<u>\$50,462,967</u>	<u>\$54,735,336</u>	<u>\$61,597,235</u>	<u>\$64,080,610</u>	<u>\$66,060,640</u>	<u>\$64,392,514</u>
7.07%	5.75%	4.74%	5.15%	4.62%	4.72%

CITY OF LEON VALLEY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 16

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2002	9,239	200,883,577	21,743	38.10	3,604	5.6%
2003	9,239	200,883,577	21,743	38.10	3,335	6.1%
2004	9,239	200,883,577	21,743	38.10	3,337	6.4%
2005	9,239	200,883,577	21,743	38.10	3,394	5.7%
2006	9,239	200,883,577	21,743	38.10	3,181	4.5%
2007	9,239	200,883,577	21,743	38.10	3,784	4.0%
2008	9,239	200,883,577	21,743	38.10	3,790	5.0%
2009	9,239	200,883,577	21,743	38.10	3,850	7.0%
2010	9,239	200,883,577	21,743	38.10	3,850	7.0%
2011	10,151	253,125,336	24,936	40.00	3,752	7.3%

Sources: Population, Per Capita Income and Median Age information provided by the United States Census Bureau. School enrollment information provided by the Northside Independent School District. Unemployment rate provided by the Texas Workforce Commission.

**CITY OF LEON VALLEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(unaudited)**

TABLE 17

<u>Employer</u>	2011			2002		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Lackland Air Force Base	37,097	1	16.29%	N/A	N/A	N/A
Fort Sam Houston-U.S. Army	32,000	2	22.42%	N/A	N/A	N/A
USAA	14,832	3	10.39%	N/A	N/A	N/A
H-E-B Food Stores	14,588	4	10.22%	N/A	N/A	N/A
Northside I.S.D.	13,300	5	9.32%	N/A	N/A	N/A
Randolph Air Force Base	11,068	6	7.75%	N/A	N/A	N/A
North East I.S.D.	10,522	7	7.37%	N/A	N/A	N/A
City of San Antonio	9,145	8	6.41%	N/A	N/A	N/A
San Antonio I.S.D.	7,581	9	5.31%	N/A	N/A	N/A
Methodist Healthcare System	7,500	10	5.25%	N/A	N/A	N/A
Total	<u>157,633</u>		<u>100.73%</u>	N/A	N/A	N/A

The City of Leon Valley is surrounded by the City of San Antonio and no data is available for the employers in Leon Valley. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation.

Note: Data for 2002 was not available.

CITY OF LEON VALLEY, TEXAS
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
FISCAL YEAR ENDED SEPTEMBER 30
(unaudited)

TABLE 18

Full-time Equivalent Employees as of September 30

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government										
Business Office	3.10	3.10	4.10	3.40	3.40	3.10	3.10	2.80	2.80	2.75
Finance	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.40	2.40	2.20
Manager and Council	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.40	2.40	2.30
*Police										
Officers	25.00	24.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
*Fire										
Civilians	1.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Firefighters and officers	27.00	28.00	28.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Public Works	15.50	15.50	15.25	15.25	15.25	15.25	14.75	14.75	14.75	14.05
Community Development	3.30	3.80	3.80	3.90	3.90	3.20	4.00	4.00	4.00	3.92
Economic Development	-	-	-	-	-	1.20	1.20	1.20	1.50	1.65
Parks	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Library	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Community Center	2.70	2.70	1.80	1.55	1.55	1.60	2.10	2.10	2.10	1.85
Water and Sewer	11.30	11.30	11.05	11.75	11.75	12.05	12.96	12.96	12.96	14.88
Total	107.50	107.50	106.10	104.95	104.95	105.50	107.21	106.11	106.41	107.10

Source: City Annual Budget

* Does not include reserves.

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CITY OF LEON VALLEY, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Police				
Traffic violations	11,090	14,583	13,508	16,067
Arrests	1,366	991	1,038	1,173
Fire				
Fire calls	565	635	681	703
EMS calls	884	857	859	881
Inspections	1,267	624	771	898
Public Works				
Street resurfacing (miles)	4.5	4.5	4.5	4.5
Sidewalk construction (feet)	700	900	700	700
Library				
Reference Questions	1,809	2,716	2,859	3,159
Internet Sessions	3,141	3,691	4,385	5,058
Library Acquisitions	2,173	2,002	2,092	1,704
Water				
Service Connections	2,090	2,105	2,120	2,110
Average daily consumption	942,090	858,607	809,997	861,904
Sewer				
Service connections	2,021	2,017	2,035	2,031
Average daily treatment of gallons	410,000	1,063,072	1,000,000	713,639

Source: Various city departments.

TABLE 19

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
14,033	12,408	15,397	11,459	11,611	10,278
1,489	1,230	1,355	1,194	1,279	1,050
703	805	821	793	786	931
960	961	953	1,028	1,051	1,062
1,094	1,282	1,299	1,167	1,351	1,290
5.0	0.5	-	5.9	5.4	8.4
700	500	500	500	1,463	682
3,142	3,142	6,056	6,083	6,000	6,897
6,336	6,336	6,320	7,483	7,354	7,226
1,281	1,281	1,857	3,487	4,861	3,323
2,177	2,255	2,369	2,444	2,469	2,508
1,006,096	1,011,527	967,133	963,975	842,432	1,005,747
2,098	2,272	2,440	2,306	2,387	2,428
748,112	664,496	863,347	793,443	989,705	748,356

CITY OF LEON VALLEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

<u>Function</u>	<u>Fiscal Year</u>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police						
Stations	1	1	1	1	1	1
*Officers	26	25	25	25	25	24
Fire						
Stations	1	1	1	1	1	1
Firefighters	27	28	28	27	27	27
Culture and Recreation						
Community Centers	2	2	2	2	2	2
Parks	1	1	1	1	1	1
Park acreage	21.6	24.0	24.0	24.0	24.0	24.0
Libraries	1	1	1	1	1	1
Tennis courts	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1
Public Works						
Miles of streets	37.5	38.2	38.2	38.2	39.5	39.5
Water						
Miles of water mains	38.0	38.2	38.2	38.2	39.5	39.5
Number of hydrants	196	196	198	198	208	208
Sewer						
Miles of sanitary sewers	45.0	45.0	45.5	45.5	47.5	47.5
Feet of storm sewers	4,000	4,000	4,000	4,000	4,000	4,000

Source: Various city departments.

* Includes Warrant Officer(s) from the Court.

TABLE 20

Fiscal Year			
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1
24	24	24	24
1	1	1	1
27	27	27	27
2	2	2	2
1	1	1	1
24.0	24.0	24.0	24.0
1	1	1	1
1	1	1	1
1	1	1	1
39.5	39.5	39.5	39.5
39.5	39.5	39.5	39.5
208	208	208	208
47.5	47.5	47.5	47.5
4,000	4,000	4,000	4,000

COMPLIANCE SECTION



holtman, wagner & company llp
certified public accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Leon Valley
6400 El Verde Road
Leon Valley, Texas 78238

We have audited the financial statements of the governmental activities, business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Leon Valley, as of and for the year ended September 30, 2011, which collectively comprise the City of Leon Valley's basic financial statements and have issued our report thereon dated November 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Leon Valley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Leon Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Leon Valley's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Leon Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Holtman Wagner & Company LLP

New Braunfels, Texas
November 2, 2011